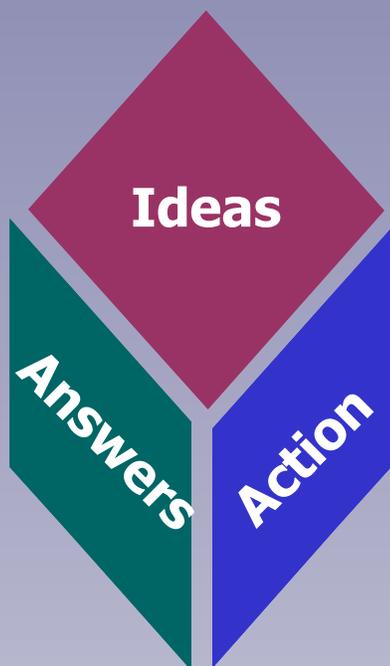
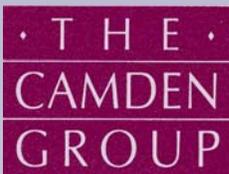




STATE OF CALIFORNIA  
DEPARTMENT OF JUSTICE  
OFFICE OF THE ATTORNEY GENERAL



Effect of the Proposed Sale  
of French Hospital Medical Center and Arroyo Grande  
Community Hospital on the Availability and Accessibility of  
Health Care Services



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## **I. REPORT PURPOSE AND METHODOLOGY**

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## I. REPORT PURPOSE AND METHODOLOGY

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### REPORT PURPOSE

The Camden Group was engaged on August 12, 2003, by the Office of the Attorney General to prepare an independent health care impact analysis regarding the proposed sale of Vista Hospital Systems (“Vista”), which includes Corona Regional Medical Center, Arroyo Grande Community Hospital (“Arroyo Grande Hospital”), and French Hospital Medical Center (“French Hospital”) to Universal Health Services (“UHS”), a for-profit hospital system. This report will address the expected effect of the sale of French Hospital and Arroyo Grande Hospital, both located in San Luis Obispo County, on the availability and accessibility of health care services. A separate report will be issued regarding the effect on health care services of the sale of Corona Regional Medical Center, which is located in Riverside County, a geographically distinct market.

### METHODOLOGY

Information contained within this report is based on the following:

- A review of pertinent transaction documents including, but not limited to, the Asset Purchase Agreement dated April 3, 2003.
- Site visits to Arroyo Grande Hospital and French Hospital and discussions with senior management.
- Interviews with representatives of Vista and UHS.
- Interviews with representatives of the community and potentially affected parties including area physicians, other area hospitals, San Luis Obispo County Emergency Medical Services Agency, San Luis Obispo County Board of Supervisors, and the San Luis Obispo County Medical Society (refer to Appendix A for a list of individuals interviewed).
- Input and feedback from the public meeting held on September 15, 2003 in San Luis Obispo and a review of the official meeting transcript.
- Data analysis of French Hospital and Arroyo Grande Hospital and the relevant geographic service area (i.e. San Luis Obispo County).
- An independent report compiled by the Office of Statewide Health Planning and Development (“OSHPD”) identifying and clarifying both hospitals’ historical provision of charity care over the past five years.
- A review of analysis and reports submitted to the Attorney General’s Office by the following organizations:
  - ◆ County of San Luis Obispo, Public Health Department
  - ◆ Consumers Union
  - ◆ Future Vision Task Force on the Future of the Health Care Safety Net in San Luis Obispo County
- The Camden Group’s knowledge and understanding of the San Luis Obispo County health care market.



## **II. HISTORY AND DESCRIPTION OF THE TRANSACTION**

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## II. HISTORY AND DESCRIPTION OF THE TRANSACTION

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### BACKGROUND AND DESCRIPTION OF THE TRANSACTION

Vista Hospital Systems, Inc., a California non-profit public benefit corporation (“Vista”), is the owner and operator of two general acute care hospitals, Corona Regional Medical Center in Corona, California (“Corona Hospital”) and Arroyo Grande Community Hospital in Arroyo Grande, California (“Arroyo Hospital”). French Hospital Medical Center, a California non-profit public benefit corporation that is affiliated with Vista, is the owner and operator of a general acute care hospital, French Hospital Medical Center (“French Hospital”) in San Luis Obispo, California. (Vista and French Hospital Medical Center, as affiliated non-profit public benefit corporations, will be referred to collectively as “Vista”.)

Over the course of the past ten years, Vista has incurred a substantial amount of bonded indebtedness, represented by certificates of participation, in order to acquire, expand and equip the three hospitals. At the present time, this aggregate bonded indebtedness is approximately \$180,000,000 in outstanding principal and approximately \$50,000,000 in accrued and unpaid interest. Commencing in March 1999, Vista generally suspended making debt service payments on this debt. The holders of the certificates of participation (the “Holders”) entered into a series of Forbearance Agreements with Vista, commencing in March 2000, in which the holders agreed to forbear from exercising their rights and remedies under various debt instruments.

Vista has been unable to restructure its obligations on this debt. Pursuant to a Forbearance Agreement between Vista and the Holders dated June 10, 2002, Vista committed to use its best efforts to sell the three facilities to a third party purchaser or purchasers. Vista engaged Cambio Health Solutions, LLC (“Cambio”) to serve as its marketing agent and directed Cambio to actively market the facilities for sale to a third party purchaser or purchasers, including, without limitation, for-profit entities. Cambio prepared a comprehensive request for proposal, which it transmitted to 80 potential purchasers for the three hospital facilities. Thirty-eight responded with some level of interest, and of those, twenty-four signed and returned confidentiality agreements. The highest and best offer was received from Universal Health Services, Inc., a Delaware corporation (“UHS”).

Vista recently executed an asset purchase agreement with UHS, dated April 3, 2003, and amended June 3, 2003, whereby UHS will acquire Corona Hospital, Arroyo Hospital and French Hospital (the “Hospitals”). The material terms of the purchase are that for a base purchase price of \$120,600,000, subject to adjustment, UHS will acquire all of the assets of the Hospitals, including but not limited to real property owned and leased by Vista; equipment and other personal property; inventories; contracts; and certain accounts receivable. Assets that are excluded from the purchase are working capital other than Inventory, Accounts Receivable and Prepaid Expenses, as set forth on the financial statements of Vista; deferred financing costs; deposits; Medicare and Medi-Cal receivables; and rights to certain litigation.

The anticipated net purchase price under the Asset Purchase Agreement is substantially less than the amounts owed to the Holders and the unsecured creditors of Vista. The Holders possess a security interest in all of the assets that would be transferred to UHS. Vista has represented and warranted in the Asset Purchase Agreement that they will transfer the assets to UHS free and clear of all liens and security interests. In order to accomplish such transfer, Vista, on June 10, 2003, filed a petition for protection under chapter 11 of the US Bankruptcy Code, Case No. RS03-18901DN in the United States Bankruptcy Court, Central District of California, Riverside Division. On June 10, 2003, Vista filed a proposed chapter 11 plan (the “Proposed Plan”). The Proposed Plan seeks

## II. HISTORY AND DESCRIPTION OF THE TRANSACTION

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approval of the Asset Purchase Agreement and the transactions contemplated thereunder and the distribution of the proceeds of the sale of the Proposed Plan. Vista anticipates that the net purchase price, together with the assets excluded from the sale, will be insufficient to satisfy in full the amounts owed to the Holders and the unsecured creditors, and therefore, there will be no net proceeds from the sale following payments to creditors in the chapter 11 case.

### BRIEF HISTORY OF THE FACILITIES

French Hospital, founded in 1946, is located at 1911 Johnson Avenue, San Luis Obispo, California, 93401, just east of Highway 101. The facility has 112 licensed beds, 97 of which are currently available with a campus that is approximately 15 acres in size. The hospital has had several owners over the years and has been both a non-profit and a for-profit facility. French Hospital was acquired by OrNda Health System, a for-profit hospital system, in 1993. Tenet Healthcare Corporation (“Tenet”) acquired the facility in 1996 when it purchased the entire OrNda system. Consistent with an anti-trust consent decree with the Federal Trade Commission, Tenet, which already owned both Sierra Vista Regional Medical Center and Twin Cities Community Hospital in San Luis Obispo County, was forced to sell French Hospital. Vista acquired the facility from Tenet in 1997. French has had a history of financial struggles with incurred losses (net income) of approximately \$22.9 million cumulatively over the past five full fiscal years (FY 1998-2002).

Arroyo Grande Hospital, founded in 1961, is located at 345 South Halcyon Road in Arroyo Grande, California, 93420, approximately 17.5 miles southwest of French Hospital. The facility has 65 licensed and 63 available beds. Numerous facility upgrades/renovations have occurred since the single story Hospital was originally built. A 600 sq. ft. annex building was constructed in 1981 and contains non-clinical functions (e.g. financial/accounting). Arroyo Grande Hospital has also experienced several different owners during its history. Vista has owned and operated the facility since 1992. The Hospital has generally been profitable historically with a cumulative net income of \$5.4 million over the past 4 full fiscal years.

### CIRCUMSTANCES LEADING TO THE SALE

In addition to its heavy debt load and recent bankruptcy filing, Vista has cited the following reasons for its decision to sell the facilities:

- Inability to maintain a positive operating income at French Hospital
- Complete or partial loss of key revenue-producing programs including cardiac surgery and pain management at French Hospital to competing entities
- Inability to invest needed capital into the facilities
- Strong competition from Tenet Healthcare Corporation (“Tenet”) within the San Luis Obispo County market. Tenet owns both Sierra Vista Regional Medical Center in San Luis Obispo and Twin Cities Community Hospital in Templeton.

## II. HISTORY AND DESCRIPTION OF THE TRANSACTION

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### DESCRIPTION OF PURCHASING ENTITY

UHS, Inc. founded in 1978, is the third-largest for-profit hospital system in the United States (behind Tenet and HCA). UHS owns and operates 27 acute care hospitals, 41 behavioral health facilities, and 14 ambulatory surgery centers in 10 states and abroad. UHS has demonstrated a strong financial record over the years and posted a net income of \$175.4 million on net revenues of \$3.3 billion in 2002. Management states that UHS's corporate strategy is "to build or purchase health care properties in rapidly growing markets and then create a strong franchise based on exceptional service and effective cost control". UHS's growth has been targeted in selected geographic markets with a preference for having multiple facilities within individual markets. In California, UHS has three acute care hospitals (indicated below) and is developing a new facility in Palmdale.

- Inland Valley Medical Center (80 licensed beds) in Wildomar (Riverside County)
- Rancho Springs Medical Center (96 licensed beds) in Murrieta (Riverside County)
- Lancaster Community Hospital (117 licensed beds) in Lancaster (Los Angeles County)

## II. HISTORY AND DESCRIPTION OF THE TRANSACTION

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### MAJOR TRANSACTION TERMS AND GUARANTEES

- The major points of the Asset Purchase Agreement (“APA”), dated July 14, 2003, are as follows:
  - ◆ The purchase price is \$120.6 million (less adjustments as specified in Section 2.1). The seller indicates that this was the best monetary offer and that the sale price is within industry range based on market multiples and other similar hospital transactions.
  - ◆ No charitable foundation will be created from sale proceeds because there will be no surplus funds after the close of the transaction.
  - ◆ UHS has agreed to continue to operate French Hospital and Arroyo Grande Hospital as general acute care hospitals as long as it owns the facilities.
  - ◆ UHS has agreed to maintain basic emergency services at both hospitals for a minimum of five years, unless there is a substantial reduction in Medicare, Medi-Cal, or other payer reimbursement levels.
  - ◆ UHS agrees to “use its best efforts” to provide charity and indigent care that is “equivalent, in the aggregate, to the levels previously provided at the Hospitals.” The APA does not specify particular amounts.
  - ◆ UHS will hire all retained employees who elect to accept employment.
  - ◆ UHS has indicated that a Local Governing Board will be created to enhance collaboration between the Hospitals, staff physicians, and the community to appropriately identify and respond to local health care needs.
  - ◆ Vista has agreed to a covenant not to compete with UHS for a period of five years.
  
- In a supplement to the notice, UHS has indicated that it is exploring the potential sale of both French Hospital and Arroyo Grande Hospital (but not Corona Hospital). UHS also stated that it will evaluate the consolidation of French Hospital into Arroyo if it “is unable to reach an agreement with a potential purchaser and the capital requirements of French create an undue hardship on Universal”.



### **III. PROFILE OF FRENCH HOSPITAL MEDICAL CENTER**

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### III. PROFILE OF FRENCH HOSPITAL MEDICAL CENTER

#### KEY STATISTICS

French Hospital is located just east of Highway 101 in the City of San Luis Obispo. (Refer to the map on page 31). The campus is approximately 15 acres in size and is located within close proximity of San Luis Obispo General Hospital which closed in June of this year.

Beds by category:	Licensed	Available/Staffed
Medical/Surgical	75	75/33
Critical/Intensive Care	8	8/4
Obstetrics	8	8/8
Pediatrics	6	6/2
Psychiatry	<u>15</u>	<u>0/0</u>
Total	112	97/47

#### CY 2002 Volumes

Total hospital discharges:	3,989	Total surgeries:	4,149
Total patient days:	15,065	Births (deliveries):	422
Average daily census:	41.3	Total outpatient visits <sup>(1)</sup> :	31,064
Average length of stay:	3.8	Physicians on staff:	346
		Active staff members:	142
Emergency department visits:	12,807	Number of employees (FTEs):	312

Source: OSHPD; Vista; Cambio Health Solutions, LLC; French Hospital

(1) Excludes emergency visits

#### MAJOR PROGRAMS AND SERVICES

French Hospital is a community hospital that offers the following major services:

- 24-hour emergency services (basic level)
- Diagnostic imaging (CT Scanner, MRI, diagnostic radiology, nuclear medicine, mammography, stereotactic screening, ultrasound, lithotripsy, angiography)
- Gastrointestinal lab
- Medical/surgical acute inpatient services

### III. PROFILE OF FRENCH HOSPITAL MEDICAL CENTER

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- Intensive care acute inpatient services
- Obstetric services
- Oncology services (inpatient only)
- Orthopedic services including a Joint Replacement Program
- Pediatric services
- Inpatient and outpatient surgery
- Cardiovascular surgery, cardiac catheterization, and cardiac rehabilitation
- Inpatient and outpatient physical and occupational therapy
- Respiratory isolation
- Hospital-based dental surgery

#### HISTORICAL UTILIZATION AND OCCUPANCY

The tables on the following pages illustrate French Hospital's volumes and occupancy over the past five years. Relevant points to note are as follows:

- French Hospital is a core hospital in San Luis Obispo County and is a key facility for several major hospital services including cardiovascular surgery, critical care, diagnostic imaging, emergency medicine, and obstetrics.
- While French has 112 licensed beds, only 97 are physically available and only 47 are currently staffed. The Hospital's overall occupancy percentage has ranged from 34% to 43% on licensed beds and 40% to 67% on available beds over the past 5 years. According to management, the Hospital's average occupancy rate (available beds) was 73.3% for the month of September 2003.
- French Hospital's overall discharges and patient days have decreased (14% and 26% respectively) over the past five years mainly due to the discontinuation of inpatient psychiatry and skilled nursing (both of which were financially unprofitable) and loss of volume/market share in cardiac services and orthopedics.
- For current programs and services, the Hospital's volumes have increased over the past five years (CY 1998-2002) in most major categories (with the notable exception of cardiac surgery). With the closure of San Luis Obispo General Hospital in June of this year, data analysis suggests that most of that facility's volume has shifted to French Hospital.
  - ◆ French Hospital's medical/surgical discharges increased 11.1% and patient days 3.5% from 1998 to 2002

### III. PROFILE OF FRENCH HOSPITAL MEDICAL CENTER

- ◆ Obstetric deliveries rose from 273 in 1998 to 422 in 2002. Since the closure of San Luis Obispo General Hospital in June, monthly delivery volumes in July, August and September at French were twice as high as previous months (from an average of 35 per month to 70).
  - ◆ Total surgeries increased 25% from 1998 to 2002.
- Emergency room visits have increased 23% over the past five years (twice as fast as the County as a whole) in part because of volume shifts from General Hospital.
- ◆ Only 12.4% of ED visits to French in 2002 were “non-urgent” while 36% percent were “critical” based on patient acuity levels reported to OSHPD.
  - ◆ Approximately 17 percent of Emergency Department patients were admitted to the Hospital in CY 2002.
  - ◆ Approximately 50 percent of French’s total admissions emanate from the Emergency Department which is higher than average at most California hospitals.
  - ◆ According to Hospital management, French Hospital is on emergency diversion less than 1% of the time on an annual basis.

**French Hospital - San Luis Obispo  
Historical Utilization by Licensed Bed Category  
1998 - 2003**

	1998	1999	2000	2001	2002	2003 YTD <sup>(1)</sup>	% Change 1998 - 2002
<b>Medical/Surgical/DOU</b>							
Licensed Beds	75	75	75	75	75	75	
Available Beds	75	75	75	75	75	75	
Discharges	2,672	3,252	3,085	3,166	2,969	1,730	11.1%
Patient Days	11,329	13,904	12,677	13,087	11,724	6,937	3.5%
ALOS <sup>(2)</sup>	4.2	4.3	4.1	4.1	3.9	4.0	
Occupancy %	41.4%	50.8%	46.3%	47.8%	42.8%	38.1%	
Average Daily Census	31.0	38.1	34.6	35.9	32.1	32.7	
<b>Critical Care</b>							
Licensed Beds	8	8	8	8	8	8	
Available Beds	8	8	8	8	8	8	
Discharges	533	618	592	554	511	324	-4.1%
Patient Days	1,726	1,881	1,783	1,943	1,657	959	-4.0%
ALOS	3.2	3.0	3.0	3.5	3.2	3.0	
Occupancy %	59.1%	64.4%	60.9%	66.5%	56.7%	49.3%	
Average Daily Census	4.7	5.2	4.9	5.3	4.5	3.9	
<b>Obstetrics</b>							
Licensed Beds	8	8	8	8	8	8	
Available Beds	8	8	8	8	8	8	
Discharges	336	353	404	420	455	461	35.4%
Patient Days	709	749	928	1,098	1,413	1,009	99.3%
ALOS	2.1	2.1	2.3	2.6	3.1	2.2	
Lic. Occupancy %	24.3%	25.7%	31.8%	37.6%	48.4%	51.9%	
Avail. Occupancy %	24.3%	25.7%	31.7%	37.6%	48.4%	51.9%	
Average Daily Census	1.9	2.1	2.5	3.0	3.9	4.8	
Deliveries	273	303	354	434	422	388	54.6%
Number C-section	65	51	56	73	88	69	
% C-section	23.8%	16.8%	15.8%	16.8%	20.9%	17.8%	

Source: French Hospital

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(1) Data for first eight months of 2003 (January to August)

(2) Average length of stay

### III. PROFILE OF FRENCH HOSPITAL MEDICAL CENTER

**French Hospital - San Luis Obispo**  
**Historical Utilization by Licensed Bed Category**  
**1998 - 2003**

	1998	1999	2000	2001	2002	2003 YTD	% Change 1998 - 2002
<b>Pediatrics</b>							
Licensed Beds	6	6	6	6	6	6	
Available Beds	6	3	3	6	6	6	
Discharges	173	177	105	182	128	132	-26.0%
Patient Days	589	561	302	278	300	304	-49.1%
ALOS	3.4	3.2	2.9	1.5	2.3	2.3	
Lic. Occupancy %	26.9%	25.6%	13.8%	12.7%	13.7%	28.1%	
Avail. Occupancy %	26.9%	51.2%	27.6%	12.7%	13.7%	28.1%	
Average Daily Census	1.6	1.5	0.8	0.8	0.8	1.7	
<b>Psychiatric</b>							
Licensed Beds	15	15	15	15	15	15	
Available Beds	15	6	0	0	0	0	
Discharges	514	404	0	0	0	0	
Patient Days	2,681	1,896	0	0	0	0	
ALOS	5.2	4.7	0	0	0	0	
Lic. Occupancy %	49.0%	34.6%	0	0	0	0	
Avail. Occupancy %	49.0%	86.6%	0	0	0	0	
Average Daily Census	7.3	5.2	0	0	0	0	
<b>Skilled Nursing</b>							
Licensed Beds	23	23	23	0	0	0	
Available Beds	23	23	0	0	0	0	
Discharges	395	227	0	0	0	0	
Patient Days	3,550	2,232	0	0	0	0	
ALOS	9.0	9.8	0	0	0	0	
Occupancy %	42.3%	26.6%	0	0	0	0	
Average Daily Census	1.1	0.6	0	0	0	0	
<b>Total Hospital <sup>(1)</sup></b>							
Licensed Beds	135	135	112	112	112	112	
Available Beds	98	86	94	97	97	97	
Discharges	4,612	5,034	4,560	4,277	3,989	2,647	-13.5%
Patient Days	20,314	20,921	16,379	16,211	15,065	9,209	-25.8%
ALOS	4.4	4.2	3.6	3.8	3.8	3.5	
Lic. Occupancy %	41.2%	42.5%	40.1%	39.7%	36.9%	33.8%	
Avail. Occupancy %	56.8%	66.6%	47.7%	45.8%	42.6%	39.1%	
Average Daily Census	55.7	57.3	44.9	44.4	41.3	37.9	

Source: French Hospital

(1) Includes intrahospital transfers.

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**French Hospital - San Luis Obispo**  
**Operating Room and Emergency Room Selected Indicators**  
**1998 - 2003**

	1998	1999	2000	2001	2002	2003 YTD	% Change 1998 - 2002
<b>Surgical Services</b>							
Number of ORs	7	7	7	7	7	7	
Inpatient Surgeries	1,484	1,576	1,483	1,505	1,453	844	-2.1%
Outpatient Surgeries	1,840	2,550	2,528	2,407	2,696	2,081	46.5%
Total Surgeries	3,324	4,126	4,011	3,912	4,149	2,925	24.8%
O/P as a % of Total	55.4%	61.8%	63.0%	61.5%	65.0%	71.1%	
Surgeries/OR	475	589	573	559	593	418	
Inpatient Minutes	268,710	279,360	250,972	263,338	242,190	166,020	
Minutes/Surgery	181	177	169	175	167	197	
Outpatient Minutes	179,670	222,763	207,777	208,486	233,370	157,928	
Minutes/Surgery	98	87	82	87	87	76	
<b>Emergency Department</b>							
Stations	9	9	9	9	9	9	
Visits	10,423	12,049	12,450	13,059	12,807	9,189	22.9%
Visits/Station/Year	1,158	1,339	1,383	1,451	1,423	1,021	
Resulting in Admission	1,856	2,524	2,327	2,177	2,112	1,221	13.8%
% Resulting in Admission	17.8%	20.9%	18.7%	16.7%	16.5%	13.3%	
% of Total Hospital Admissions	40.2%	50.1%	51.0%	50.9%	52.9%	46.1%	
<b>Other Indicators</b>							
CV Surgery with Bypass	279	312	324	303	218	82	
Cardiac Caths	730	802	865	848	683	246	

Source: OSHPD; French Hospital

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### III. PROFILE OF FRENCH HOSPITAL MEDICAL CENTER

- The following table illustrates French Hospital's volume trend (discharges) from 1998 to 2002.
  - ◆ The overall volume loss has been driven mainly by the discontinuation of inpatient psychiatry and diminished case loads in cardiac services and orthopedics
  - ◆ French has had strong growth in obstetrics, oncology and general surgery

**French Hospital - San Luis Obispo  
Discharges by Service Line  
1998 - 2002**

Service Line	1998		1999		2000		2001		2002		% Change 1998-2002
	Num	% of Tot									
Cardiology - Diagnostic/Interventional	377	8.2%	462	9.2%	495	11.6%	467	10.8%	380	9.5%	0.8%
Cardiology - Medical	472	10.3%	504	10.0%	566	13.3%	550	12.7%	436	10.9%	-7.6%
Cardiology - Surgery	311	6.8%	332	6.6%	343	8.0%	301	6.9%	213	5.3%	-31.5%
Chemical Dependency	64	1.4%	64	1.3%	10	0.2%	3	0.1%	4	0.1%	-93.8%
Endocrine	97	2.1%	134	2.7%	98	2.3%	109	2.5%	116	2.9%	19.6%
ENT	27	0.6%	29	0.6%	27	0.6%	21	0.5%	29	0.7%	7.4%
Gastroenterology	290	6.3%	343	6.8%	309	7.2%	350	8.1%	318	8.0%	9.7%
General Medicine	210	4.6%	248	4.9%	204	4.8%	194	4.5%	187	4.7%	-11.0%
General Surgery	211	4.6%	245	4.9%	227	5.3%	237	5.5%	291	7.3%	37.9%
Gynecology	120	2.6%	122	2.4%	94	2.2%	105	2.4%	101	2.5%	-15.8%
Neonatal Intensive Care	38	0.8%	50	1.0%	65	1.5%	69	1.6%	58	1.5%	52.6%
Neurology	249	5.4%	276	5.5%	176	4.1%	203	4.7%	196	4.9%	-21.3%
Neurosurgery	109	2.4%	92	1.8%	82	1.9%	73	1.7%	72	1.8%	-33.9%
Obstetrics & Deliveries	279	6.1%	329	6.5%	384	9.0%	441	10.2%	439	11.0%	57.3%
Oncology	113	2.5%	154	3.1%	133	3.1%	148	3.4%	183	4.6%	61.9%
Ophthalmology	8	0.2%	6	0.1%	9	0.2%	5	0.1%	7	0.2%	-12.5%
Orthopedics	569	12.4%	561	11.1%	436	10.2%	418	9.6%	326	8.2%	-42.7%
Pediatrics	20	0.4%	15	0.3%	12	0.3%	12	0.3%	15	0.4%	-25.0%
Plastic Surgery	19	0.4%	20	0.4%	18	0.4%	24	0.6%	21	0.5%	10.5%
Psychiatry	458	10.0%	348	6.9%	13	0.3%	10	0.2%	9	0.2%	-98.0%
Pulmonary Medicine	309	6.8%	414	8.2%	316	7.4%	333	7.7%	285	7.1%	-7.8%
Rehabilitation	2	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Thoracic & Vascular Surgery	81	1.8%	96	1.9%	84	2.0%	80	1.8%	119	3.0%	46.9%
Urology	141	3.1%	189	3.8%	166	3.9%	191	4.4%	195	4.9%	38.3%
<b>TOTAL</b>	<b>4,574</b>	<b>100.0%</b>	<b>5,033</b>	<b>100.0%</b>	<b>4,267</b>	<b>100.0%</b>	<b>4,344</b>	<b>100.0%</b>	<b>4,000</b>	<b>100.0%</b>	<b>-12.5%</b>

Source: OSHPD

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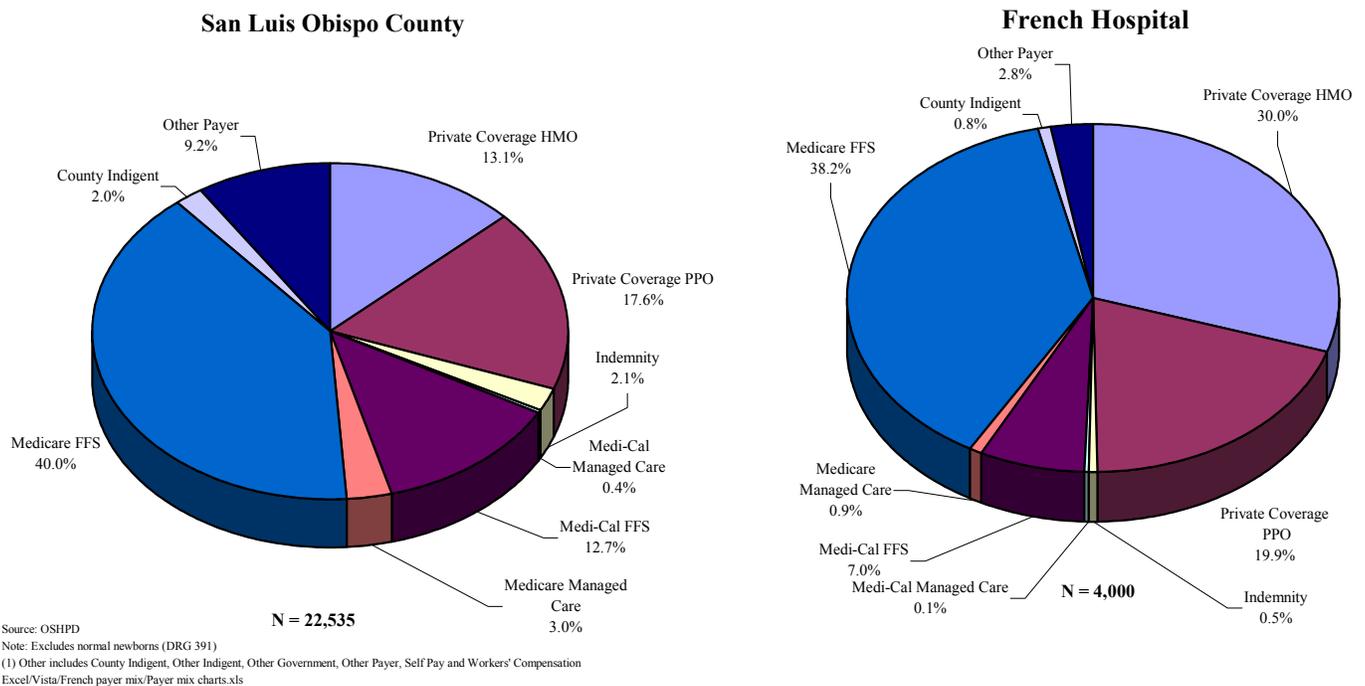
Note: Excludes normal newborns (DRG 391)

### III. PROFILE OF FRENCH HOSPITAL MEDICAL CENTER

#### PAYER MIX

- Through 2002, French Hospital has a payer mix which is relatively high in private payers and Medicare when compared to all California Hospitals and the County of San Luis Obispo as a whole. Private payers and Medicare typically pay higher rates than Medi-Cal or county indigent payers.
- ◆ Approximately 90% of the Hospital's patients are insured through Medicare, HMO, PPO, or indemnity payers.
- ◆ French Hospital's Medi-Cal discharges represent 7% of the facility's total discharges compared to 13% for the County as a whole.
- ◆ French Hospital's self-pay and indigent patient loads are very low.

**San Luis Obispo County and French Hospital  
Payer Mix (Discharges)  
2002**



### III. PROFILE OF FRENCH HOSPITAL MEDICAL CENTER

#### HISTORICAL FINANCIAL PERFORMANCE AND CONDITION

- ❑ French Hospital has lost approximately \$22.9 million (net income) over the past five full fiscal years (1998-2002) with a reported loss in net income of \$4.3 million this year (through August). Until this year, the facility's net income had been improving steadily as indicated in the table below.
- ❑ The Hospital's positive earnings before interest, taxes, depreciation and amortization ("EBITDA") has been increasing steadily each year reaching \$4.2 million in 2002. However, the Hospital is heavily burdened with approximately \$4 million in annual interest expense, which coupled with depreciation, has contributed to the annual net loss each year.
- ❑ Given its financial performance and the level of debt, the Hospital has been unable to reach a debt service coverage ratio above 0.9 times over the past five years. A reasonable ratio is 1.5 to 2.0. This indicates that the Hospital is unable to support its current level of debt.
- ❑ The Hospital has maintained a favorable payer mix over the past five years. However, the bad debt percent and average days in accounts receivable have increased steadily in recent years. These factors affect both the earnings and the cash flow of the Hospital.

**French Hospital Medical Center  
Selected Financial Indicators  
1998 - 2002**

Indicator	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Discharges <sup>(1)</sup>	4,612	5,034	4,566	4,712	3,989
Patient Days	20,314	20,921	15,783	16,269	15,065
ALOS	4.4	4.2	3.5	3.5	3.8
Gross Patient Revenue	\$125,927,672	\$141,455,295	\$141,571,755	\$187,251,589	\$220,620,195
Total Deductions from Revenue	(\$92,759,618)	(\$104,701,554)	(\$127,013,961)	(\$162,474,752)	(\$194,422,517)
Net Patient Revenue	\$33,168,054	\$36,753,741	\$36,164,220	\$36,933,288	\$40,447,871
Income from Operations	(\$13,339,822)	(\$5,750,024)	(\$4,481,541)	(\$4,141,497)	(\$3,027,137)
Net Income	(\$5,960,147)	(\$5,750,024)	(\$4,286,319)	(\$4,006,319)	(\$2,907,689)
<b>Liquidity Ratios</b>					
Current Ratio	1.15	0.88	0.29	0.42	0.42
Acid Test Ratio	0.67	0.44	0.12	0.09	NA
Days in A/R	49.39	23.42	29.76	53.16	77.18
Bad Debt Rate	0.82%	0.71%	0.65%	1.26%	1.64%
<b>Debt, Risk and Leverage Ratios</b>					
Long-Term Debt to Assets Ratio	88.90%	110.76%	125.39%	172.34%	181.97%
Debt Service Coverage Ratio	0.07	0.32	0.38	0.60	0.91
Interest Expense as a Percentage of Operating Expenses	9.33%	9.91%	9.04%	9.30%	10.43%
<b>Profitability Ratios</b>					
Return on Operating Assets	-27.73%	-4.66%	-2.89%	-1.06%	5.48%
Return on Equity	NM	NM	NM	NM	NM
Operating Margin	-37.66%	-15.16%	-12.96%	-11.09%	-7.42%
Turnover on Operating Assets	1.00	1.24	1.37	1.39	1.45
<b>Fixed Asset Ratios</b>					
Fixed Asset Growth Rate	25.22%	-9.06%	2.96%	2.92%	3.12%
Average Age of Plant	1.16	1.59	2.69	3.58	5.06
Net PPE Assets per Bed	\$216,702	\$178,570	\$228,031	\$178,203	\$162,052

Source: OSHPD Individual Disclosure Reports  
(1) Excludes nursery

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### III. PROFILE OF FRENCH HOSPITAL MEDICAL CENTER

#### MEDICAL STAFF

- According to the Hospital's medical staff office, French Hospital has 346 physicians on staff. The breakdown by specialty is as follows:

Anesthesiology:	23	Orthopedic surgery:	11
Cardiology/CVS:	18	Otolaryngology:	6
Emergency medicine:	14	Pathology:	8
Family practice:	23	Pediatrics:	28
Gastroenterology:	6	Physical medicine/rehab:	4
General surgery:	12	Plastic surgery:	5
Internal medicine:	28	Podiatry:	6
Neurosurgery:	3	Pulmonology:	4
Ob/Gyn:	21	Radiology:	20
Oncology:	5	Urology:	9
Ophthalmology:	17	Other:	75

- According to management at French Hospital, the size of the medical staff has decreased slightly over the past five years mainly as a result of an overall exodus of physicians from San Luis Obispo County.
- Approximately 84 percent of staff physicians are Board-Certified, which is in-line with the industry average (85 percent).

#### PROVISION OF CHARITY CARE

The following table summarizes French Hospital's charity care expenditures for the past five fiscal years as reported by OSHPD. These figures match those provided by French Hospital in the notice. However, according to management, the 1999 charity care numbers were misreported to OSHPD and in the notice. The Hospital's Chief Financial Officer reported on November 3, 2003 that French Hospital's total uncompensated care charges equaled \$1,401,331 in 1999. The Camden Group has been unable to reconcile the differences in the 1999 figures or verify which figure (if any) is most accurate.

**Charity Care (Dollars) for French Hospital from  
1997 to 2001**

French Hospital Center - SLO	Gross Revenue	Operating Exp	Other Op Rev	Cost-to- Charges	Charity (Charges)	Charity (Cost)
2001	\$187,251,589	\$41,478,888	\$404,103	21.94%	\$147,483	\$32,351
2000	141,571,755	41,045,567	399,806	28.71%	174,407	50,073
1999	141,455,295	43,671,468	1,167,703	30.05%	1,787,432	537,078
1998	125,927,672	48,761,627	2,253,751	36.93%	346,516	127,976
1997*	53,129,434	19,578,849	119,670	36.63%	21,099	7,728

\* Partial report. Changed ownership 7/30/97

Source: Kenny Kwong, Section Manager, OSHPD - Accounting and Reporting Systems Section, September 2, 2003; French Hospital

### III. PROFILE OF FRENCH HOSPITAL MEDICAL CENTER

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#### COMMUNITY BENEFIT SERVICES

- ❑ In response to California Senate Bill 697 requirements to assess and develop a community benefit plan, French Hospital last completed its community needs assessment in 1998. Based on feedback from management, the Hospital has had to cut back on community benefit programs (e.g., transportation for seniors) as a result of the facility's poor cash position. Senior Management reports that there are no significant community benefit programs in place (i.e., annual expenditure of over \$5,000).

#### MAJOR OBSERVATIONS AND CONCLUSIONS

- ❑ French Hospital's overall discharges and patient days have decreased over the past five years by virtue of the discontinuation of certain programs (e.g., inpatient mental health, skilled nursing, pain management) and the loss of cardiovascular surgery and orthopedic business to Sierra Vista Regional Medical Center. However, volumes have increased in most service lines that have remained in place including obstetrics, surgery, and emergency medicine.
- ❑ In examining volumes and capacity issues at French Hospital, it is important to acknowledge the closure of San Luis Obispo General Hospital and the fact that most of the patient volume from that facility has shifted to French Hospital. The closure of General Hospital has shifted an average daily census of approximately 10 to French, mainly in the area of obstetrics. The other major area of impact has been in the Emergency Department. Based on recent statistics at French, it appears that the majority of the approximately 370 monthly ED visits that General treated have been shifted to French Hospital. In effect, the volume shift from General to French has increased volumes at the latter and has created capacity challenges in the obstetric unit. French has had adequate capacity to absorb General's ED volume.
- ❑ French has suffered financial losses over the past five full fiscal years although the facility's performance improved somewhat over that time. French Hospital's financial performance has worsened this fiscal year. In order to minimize losses management has taken an aggressive approach to expense reduction. The lack of available capital has severely limited Vista's ability to reinvest into the facility and compete effectively.
- ❑ French has provided little charity care as a percentage of net revenue and has virtually no tangible community benefit programs in place.
- ❑ A potential closure of French Hospital would necessitate the redirection of patient volume as follows:
  - ◆ 39 inpatients per day/month (average)
  - ◆ Approximately 70 obstetric deliveries per month
  - ◆ Roughly 366 surgeries per month
  - ◆ 1,100+ emergency visits per month (35 per day)

### III. PROFILE OF FRENCH HOSPITAL MEDICAL CENTER

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- ❑ The physical plant of the facility is in fair condition with an estimated seismic retrofit expenditure (SB1953) of approximately \$4.6 million which is on the low end for most acute care hospitals in California. French Hospital has not filed for an extension to 2013 on meeting seismic retrofit requirements. Unless such an extension is granted, renovations would need to be completed by December 31, 2008.
- ❑ There is available capacity within French Hospital to add beds and programs/services (i.e., capacity to grow). Vista has lacked capital to pursue potential growth initiatives that an operator with resources could achieve.
- ❑ Based on our review of the financial condition of the facility and discussions with the Chief Financial Officer of French Hospital, it is our opinion that a for-profit operator like UHS could potentially operate French Hospital at a profit. However, the ability to do so would depend on several variables such as investment of capital, medical staff loyalty and utilization, capacity constraints at Sierra Vista, ability to provide high quality/competitive programs and services, improving contract rates, and controlling expenses. In general, the health care environment is unpredictable and often prone to rapid changes which can impact the profitability and viability of hospitals. Potential areas of improvement under a new operator include:
  - ◆ Enhanced contract rates
  - ◆ Improved operational efficiencies with resulting cost savings
  - ◆ Reduction in interest and depreciation expenses
  - ◆ Improved revenue cycle management
  - ◆ Increased revenue through growth as a result of program/service enhancements



#### **IV. PROFILE OF ARROYO GRANDE COMMUNITY HOSPITAL**

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## IV. PROFILE OF ARROYO GRANDE COMMUNITY HOSPITAL

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### KEY STATISTICS

Arroyo Grande Hospital is located just west of Highway 101 in the City of Arroyo Grande in Southern San Luis Obispo County. (Refer to the map on page 31). The campus is approximately 6.3 acres in size.

Beds by category:	Licensed	Available/Staffed
Medical/Surgical	45	43
Critical/Intensive Care	8	8
Skilled Nursing	<u>12</u>	<u>12</u>
Total	65	63

### CY 2002 Volumes

Total hospital discharges:	3,145	Total surgeries:	2,071
Total patient days:	13,216	Births (deliveries):	0
Average daily census:	36.2	Total outpatient visits:	52,863
Average length of stay:	4.2	Physicians on staff:	200
Emergency department visits:	22,769	Active:	99
		Number of employees (FTEs):	210

Source: OSHPD; Vista; Cambio Health Solutions, LLC; Arroyo Grande Hospital

## IV. PROFILE OF ARROYO GRANDE COMMUNITY HOSPITAL

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### MAJOR PROGRAMS AND SERVICES

Arroyo Grande Hospital is a community hospital that offers the following primary and secondary-level major services:

- 24-hour emergency services (basic level)
- Diagnostic imaging (CT Scanner, MRI, diagnostic radiology, nuclear medicine, mammography, ultrasound, angiography)
- Gastrointestinal lab
- Medical/surgical acute inpatient services
- Intensive care acute inpatient services
- Oncology services
- Orthopedic services
- Pharmacy services
- Inpatient and outpatient surgery
- Skilled nursing inpatient services
- Sleep lab
- Inpatient and outpatient physical and occupational therapy

### HISTORICAL UTILIZATION AND OCCUPANCY

The table on the following page illustrates volumes and occupancy over the past five years. Relevant points to note are as follows:

- Arroyo Grande Hospital has 65 licensed beds (63 available) but only 51 are general acute care (12 are skilled nursing). The Hospital's overall occupancy percentage has ranged from 46% to 65% over the past five years and has increased to 69% for year-to-date 2003 (through August).
- The Hospital's discharges increased 32% and patient days by 21% from 1998 to 2002.
- Arroyo Grande has the second busiest Emergency Department in the County from a volume standpoint and is the busiest in terms of visits per bed ratio. Emergency room visits at the facility have increased 30% over the past five years.

## IV. PROFILE OF ARROYO GRANDE COMMUNITY HOSPITAL

- Surgical volume at the Hospital increased 69% from 1998 to 2002. The Hospital plans to open a third operating room this fall.

**Arroyo Grande Community Hospital**  
**Historical Utilization by Licensed Bed Category**  
**1998 - 2003**

	1998	1999	2000	2001	2002	2003 YTD <sup>(1)</sup>	% Change 1998 - 2002
<b>Medical/Surgical/DOU</b>							
Licensed Beds	45	45	45	45	45	45	
Available Beds	43	43	43	43	43	43	
Discharges	1,950	2,342	2,694	2,743	2,657	2,018	36.3%
Patient Days	8,754	9,008	10,393	10,873	9,371	7,602	7.0%
ALOS	4.5	3.8	3.9	4.0	3.5	3.8	
Lic. Occupancy %	53.3%	54.8%	63.3%	66.2%	57.1%	69.5%	
Avail. Occupancy %	55.8%	57.4%	66.2%	69.3%	59.7%	72.8%	
Average Daily Census	24.0	24.7	28.5	29.8	25.7	31.3	
<b>Critical Care</b>							
Licensed Beds	8	8	8	8	8	8	
Available Beds	8	8	8	8	8	8	
Discharges	332	382	363	344	217	163	-34.6%
Patient Days	1,268	1,484	1,437	1,269	1,334	1,086	5.2%
ALOS	3.8	3.9	4.0	3.7	6.1	6.7	
Occupancy %	43.4%	50.8%	49.2%	43.5%	45.7%	55.9%	
Average Daily Census	3.5	4.1	3.9	3.5	3.7	4.5	
<b>Transitional Care (TCU)</b>							
Licensed Beds	12	12	12	12	12	12	
Available Beds	12	12	12	12	12	12	
Discharges	97	234	281	281	271	207	179.4%
Patient Days	911	2,278	2,668	2,762	2,511	1,883	175.6%
ALOS	9.4	9.7	9.5	9.8	9.3	9.1	
Occupancy %	20.8%	52.0%	60.9%	63.1%	57.3%	64.6%	
Average Daily Census	2.5	6.2	7.3	7.6	6.9	7.7	
<b>Total Hospital</b>							
Licensed Beds	65	65	65	65	65	65	
Available Beds	63	63	63	63	63	63	
Discharges	2,379	2,958	3,338	3,368	3,145	2,388	32.2%
Patient Days	10,933	12,770	14,498	14,904	13,216	10,571	20.9%
ALOS	4.6	4.3	4.3	4.4	4.2	4.4	
Lic. Occupancy %	46.1%	53.8%	61.1%	62.8%	55.7%	66.9%	
Avail. Occupancy %	47.5%	55.5%	63.0%	64.8%	57.5%	69.1%	
Average Daily Census	30.0	35.0	39.7	40.8	36.2	43.5	

Source: OSHPD; Arroyo Grande Community Hospital

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(1) First eight months (243 days).

## IV. PROFILE OF ARROYO GRANDE COMMUNITY HOSPITAL

**Arroyo Grande Community Hospital  
Operating Room and Emergency Room Selected Indicators  
1998 - 2003**

	1998	1999	2000	2001	2002	2003 YTD <sup>(1)</sup>	% Change 1998 - 2002
<b>Surgical Services</b>							
Number of ORs	2	2	2	2	2	2	
Inpatient Surgeries	451	543	624	589	1,005	613	122.8%
Outpatient Surgeries	772	1,081	1,356	1,433	1,066	697	38.1%
Total Surgeries	1,223	1,624	1,980	2,022	2,071	1,310	69.3%
O/P as a % of Total	63.1%	66.6%	68.5%	70.9%	59.0%	53.2%	
Surgeries/OR	612	812	990	1,011	903	983	<sup>(2)</sup>
Inpatient Minutes	56,925	69,187	75,025	78,122	100,093	88,401	
Minutes/Surgery	126	127	120	133	135	144	
Outpatient Minutes	69,105	95,611	118,375	119,485	93,768	59,065	
Minutes/Surgery	90	88	87	83	88	85	
<b>Emergency Department</b>							
Stations	11	11	11	11	11	11	
Visits	17,465	19,368	19,482	20,715	22,769	14,488	30.4%
Visits/Station/Year	1,588	1,761	1,771	1,883	1,858	1,976	<sup>(3)</sup>
Resulting in Admission	1,906	2,107	2,084	2,370	2,331	1,625	22.3%
% Resulting in Admission	10.9%	10.9%	10.7%	11.4%	11.4%	11.2%	
% of Total Hospital Admissions	80.1%	71.2%	62.4%	70.4%	74.1%	68.0%	
<b>Other Indicators</b>							
Outpatient Visits	42,342	46,771	51,315	57,127	52,863	40,584	24.8%

(1) First eight months (243 days).

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(2) Annualized total surgeries to calculate Surgeries/OR

(3) Annualized ED visits to calculate Visits/Station/Year

Source: OSHPD; Arroyo Grande Community Hospital

- ☐ Arroyo's service line volumes (discharges) have steadily increased in virtually all areas.

**Arroyo Grande Community Hospital  
Discharges by Service Line  
1998 - 2002**

Service Line	1998		1999		2000		2001		2002		% Change 1998-2002
	Num	% of Tot									
Cardiology - Diagnostic/Interventional	3	0.1%	3	0.1%	3	0.1%	12	0.4%	15	0.5%	400.0%
Cardiology - Medical	471	19.7%	579	19.8%	652	19.6%	601	18.2%	566	18.2%	20.2%
Cardiology - Surgery	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Chemical Dependency	16	0.7%	19	0.6%	19	0.6%	21	0.6%	21	0.7%	31.3%
Endocrine	82	3.4%	110	3.8%	132	4.0%	131	4.0%	101	3.2%	23.2%
ENT	16	0.7%	29	1.0%	23	0.7%	16	0.5%	16	0.5%	0.0%
Gastroenterology	336	14.1%	409	14.0%	386	11.6%	382	11.6%	393	12.6%	17.0%
General Medicine	172	7.2%	205	7.0%	325	9.8%	245	7.4%	188	6.0%	9.3%
General Surgery	167	7.0%	181	6.2%	193	5.8%	250	7.6%	243	7.8%	45.5%
Gynecology	44	1.8%	39	1.3%	36	1.1%	44	1.3%	46	1.5%	4.5%
Neonatal Intensive Care	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Neurology	199	8.3%	234	8.0%	238	7.2%	230	7.0%	207	6.6%	4.0%
Neurosurgery	5	0.2%	12	0.4%	18	0.5%	29	0.9%	22	0.7%	340.0%
Obstetrics & Deliveries	9	0.4%	2	0.1%	10	0.3%	11	0.3%	3	0.1%	-66.7%
Oncology	119	5.0%	133	4.5%	133	4.0%	151	4.6%	126	4.0%	5.9%
Ophthalmology	2	0.1%	1	0.0%	0	0.0%	6	0.2%	4	0.1%	100.0%
Orthopedics	234	9.8%	345	11.8%	465	14.0%	395	11.9%	431	13.8%	84.2%
Pediatrics	3	0.1%	2	0.1%	10	0.3%	0	0.0%	3	0.1%	0.0%
Plastic Surgery	9	0.4%	5	0.2%	10	0.3%	4	0.1%	8	0.3%	-11.1%
Psychiatry	10	0.4%	17	0.6%	19	0.6%	19	0.6%	13	0.4%	30.0%
Pulmonary Medicine	370	15.5%	422	14.4%	424	12.7%	449	13.6%	308	9.9%	-16.8%
Rehabilitation	0	0.0%	0	0.0%	59	1.8%	125	3.8%	209	6.7%	100.0%
Thoracic & Vascular Surgery	21	0.9%	40	1.4%	31	0.9%	37	1.1%	33	1.1%	57.1%
Urology	98	4.1%	142	4.8%	140	4.2%	148	4.5%	162	5.2%	65.3%
<b>TOTAL</b>	<b>2,386</b>	<b>100.0%</b>	<b>2,929</b>	<b>100.0%</b>	<b>3,326</b>	<b>100.0%</b>	<b>3,306</b>	<b>100.0%</b>	<b>3,118</b>	<b>100.0%</b>	<b>30.7%</b>

Source: OSHPD

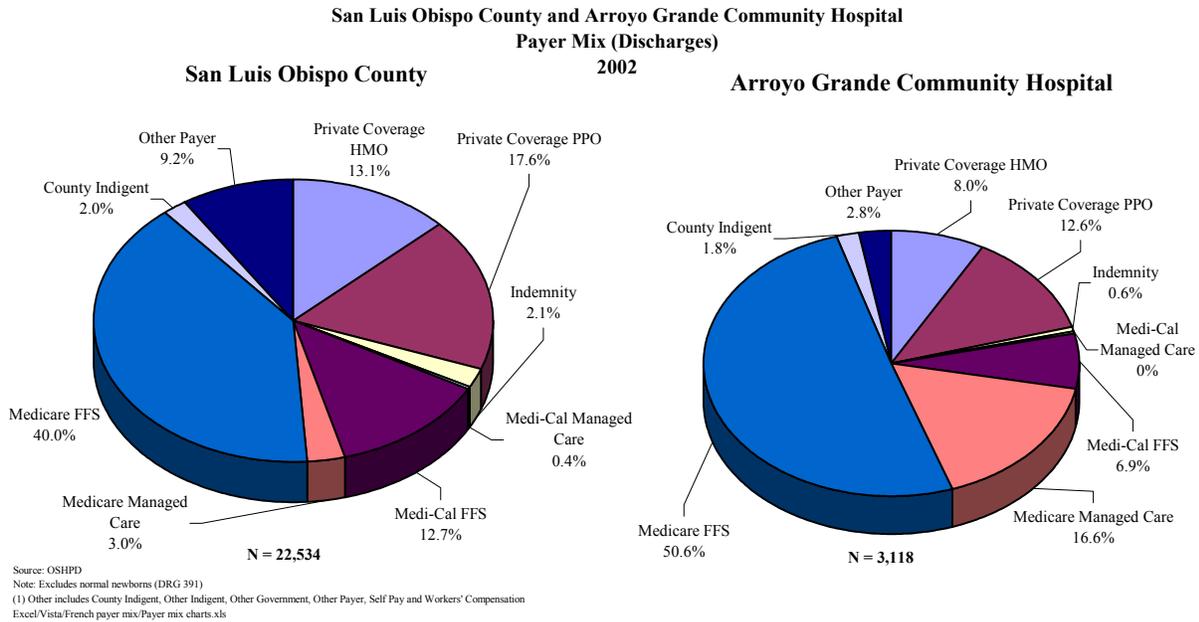
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Note: Excludes Normal Newborns (DRG 391)

## IV. PROFILE OF ARROYO GRANDE COMMUNITY HOSPITAL

### PAYER MIX

- ❑ Arroyo Grande Hospital's payer mix has a solid base of Medicare and private coverage patients.
- ❑ Arroyo Grande Community Hospital has a low percentage of Medi-Cal inpatient cases (7%) compared to the County as a whole (13%).



## IV. PROFILE OF ARROYO GRANDE COMMUNITY HOSPITAL

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### HISTORICAL FINANCIAL PERFORMANCE AND CONDITION

- ❑ Arroyo Grande Community Hospital's financial performance has been good over the past five years.
- ❑ Arroyo Grande has shown positive net income since 1999. Net income increased significantly to \$3 million in 2001 and dropped to \$1.8 million in 2002. Management reports that net income for 2003 (January through August) is \$1.9 million, indicating that the facility's profitability is up this year (closer to 2001 the level).
- ❑ Net patient revenue increased over 20% from 2000 to 2001 with only a slight increase in volume. This would indicate a significant increase in contract rates.
- ❑ The Hospital has been able to maintain a debt service coverage ratio over 1.48 times each year during the past five years, indicating that the earnings of the Hospital are able to support its level of debt.
- ❑ During the Hospital's growth in 1999 and 2000, average days in accounts receivable increased to 93 days. However, the Hospital managed to decrease them to 61 days in 2002.

## IV. PROFILE OF ARROYO GRANDE COMMUNITY HOSPITAL

### Arroyo Grande Community Hospital Selected Financial Indicators 1998 - 2002

Indicator	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Discharges <sup>(1)</sup>	2,393	3,024	3,331	3,338	3,145
Patient Days	10,933	12,770	14,522	14,935	13,216
ALOS	4.6	4.2	4.4	4.5	4.2
Gross Patient Revenue	\$44,365,276	\$55,528,523	\$69,172,232	\$104,193,340	\$120,143,552
Total Deductions from Revenue	(\$25,292,880)	(\$35,370,435)	(\$46,408,756)	(\$76,621,775)	(\$91,144,762)
Net Patient Revenue	\$19,072,396	\$20,158,088	\$22,763,476	\$27,571,565	\$28,998,790
Income from Operations	(\$272,995)	\$253,735	(\$65,138)	\$2,902,050	\$1,732,357
Net Income	(\$15,503)	\$358,109	\$288,644	\$2,992,142	\$1,782,393
<b>Liquidity Ratios</b>					
Current Ratio	0.93	1.12	1.10	1.35	1.59
Acid Test Ratio	0.02	0.16	NA	NA	NA
Days in A/R	68.59	70.20	93.11	57.06	60.54
Bad Debt Rate	2.20%	1.66%	1.89%	3.46%	3.33%
<b>Debt, Risk and Leverage Ratios</b>					
Long-Term Debt to Assets Ratio	99.21%	102.52%	102.14%	93.59%	81.04%
Debt Service Coverage Ratio	1.48	1.90	1.69	2.80	2.20
Interest Expense as a Percentage of Operating Expenses	10.52%	8.52%	8.18%	8.31%	8.78%
<b>Profitability Ratios</b>					
Return on Operating Assets	9.18%	8.68%	8.03%	19.00%	13.09%
Return on Equity	NM	NM	NM	NM	NM
Operating Margin	-1.42%	1.24%	-0.28%	10.46%	5.94%
Turnover on Operating Assets	0.99	0.90	1.01	1.06	0.92
<b>Fixed Asset Ratios</b>					
Fixed Asset Growth Rate	22.74%	19.79%	3.20%	0.75%	11.91%
Average Age of Plant	7.68	9.28	9.94	11.59	11.89
Net PPE Assets per Bed	\$238,865	\$257,142	\$247,687	\$234,970	\$244,390

Source: OSHPD Individual Disclosure Reports

\\prometheus\sys\EXCEL97\Vista\Financial Tables.xls\Arroyo

(1) Excludes nursery

NM= not meaningful

## IV. PROFILE OF ARROYO GRANDE COMMUNITY HOSPITAL

### MEDICAL STAFF

- According to the Hospital's medical staff office, Arroyo Grande has approximately 200 physicians on staff. The breakdown by specialty is as follows:

Anesthesiology:	16	Orthopedic surgery:	5
Cardiology:	12	Otolaryngology:	8
Emergency medicine:	13	Pathology:	7
Family practice:	20	Pediatrics:	4
Gastroenterology:	5	Physical medicine/rehab:	3
General surgery:	6	Plastic surgery:	2
Internal medicine:	18	Podiatry:	7
Neurosurgery:	4	Pulmonology:	6
Ob/Gyn:	9	Radiology:	8
Oncology:	4	Urology:	7
Ophthalmology:	9	Other:	27

- According to the Director of the Medical Staff Office at Arroyo Grande Hospital, the size of the medical staff has been decreasing slightly over the past five years as a result of an overall exodus of physicians from San Luis Obispo County
- Approximately, 86% of staff physicians are Board Certified, which is in-line with the industry average (85%).

### PROVISION OF CHARITY CARE

The following table summarizes Arroyo Grande Community Hospital's charity care expenditures for the past five fiscal years as reported by OSHPD. These figures match those provided by Arroyo Grande Community Hospital in the notice.

**Charity Care (Dollars) for Arroyo Grande Community Hospital  
1997 to 2001**

Arroyo Grande Comm Hosp	Gross Revenue	Operating Exp	Other Op Rev	Cost-to- Charges	Charity (Charges)	Charity (Cost)
2001	\$104,193,340	\$24,832,088	\$162,573	23.68%	\$79,831	\$18,901
2000	69,172,232	22,986,789	158,175	33.00%	37,847	12,490
1999	55,528,523	20,261,700	357,347	35.85%	583,465	209,145
1998	44,365,276	19,537,978	192,587	43.60%	364,760	159,053
1997 *	37,944,432	18,458,947	147,675	48.26%	388,278	187,376

\* Partial report. Changed ownership 7/30/97

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Source: Kenny Kwong, Section Manager, OSHPD - Accounting and Reporting Systems Section, September 2, 2003

## IV. PROFILE OF ARROYO GRANDE COMMUNITY HOSPITAL

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### COMMUNITY BENEFIT SERVICES

In response to California Senate Bill 697 requirements to assess and develop a community benefit plan, Arroyo Grande last completed its community needs assessment in 1998. Management reports that there are no significant community benefit programs in place (i.e., annual expenditure of over \$5,000).

### MAJOR OBSERVATIONS AND CONCLUSIONS

- Arroyo Grande Hospital is a stable facility financially with a positive net income over the past four years. In 2003, the facility has a reported net income of \$1.9 million through August.
- The Hospital's volumes have increased over the past five years. Average occupancy in 2003 has been 69% (available beds).
- For its bed size, Arroyo Grande has a very busy Emergency Department and experiences capacity challenges. It would be difficult for the facility to take on substantial additional volume without expanding the Emergency Department (i.e., add beds).
- From an acute care bed capacity standpoint, Arroyo Grande does have some room/ability to expand. The current transitional care unit could be converted for acute care uses.
- Arroyo Grande Hospital is bringing a third operating room into service as volumes have grown, necessitating more capacity.
- Charity care provided and community benefit expenditures by the Hospital have been minimal. Charity Care diminished substantially from 1999 to 2000. According to management, this was a result of reduction in community benefit programs and fiscal "belt tightening". Available data does not shed light on the reduction in charity care expenditures.



**V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)**

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## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

### SERVICE AREA DEFINITION AND MAP

Based on a review of patient origin for French Hospital and Arroyo Grande Hospital and patient migration patterns in the region, The Camden Group has concluded that San Luis Obispo County is the relevant geographic area for this impact analysis. Patient origin by ZIP Code for the two hospitals is indicated below.

**French Hospital and Arroyo Grande Community Hospital  
Patient Origin  
2002**

Zip Code	Community	French Hospital - San Luis Obispo			Arroyo Grande Community Hospital		
		Num.	% of Tot.	% Cum.	Num.	% of Tot.	% Cum.
<b>San Luis Obispo County Zip Codes</b>							
93401	San Luis Obispo	878	22.1%	22.1%	68	2.2%	2.2%
93402	Los Osos	423	10.7%	32.8%	23	0.7%	2.9%
93420	Arroyo Grande	370	9.3%	42.1%	1,156	37.4%	40.4%
93442	Morro Bay	334	8.4%	50.6%	21	0.7%	41.1%
93405	San Luis Obispo	302	7.6%	58.2%	13	0.4%	41.5%
93422	Atascadero	227	5.7%	63.9%	14	0.5%	42.0%
93446	Paso Robles	214	5.4%	69.3%	11	0.4%	42.3%
93433	Grover Beach	168	4.2%	73.5%	488	15.8%	58.1%
93449	Pismo Beach	147	3.7%	77.2%	360	11.7%	69.8%
93428	Cambria	127	3.2%	80.4%	4	0.1%	69.9%
93444	Nipomo	91	2.3%	82.7%	243	7.9%	77.8%
93445	Oceano	75	1.9%	84.6%	278	9.0%	86.8%
93430	Cayucos	68	1.7%	86.3%	2	0.1%	86.8%
93453	Santa Margarita	53	1.3%	87.7%	6	0.2%	87.0%
93465	Templeton	51	1.3%	89.0%	2	0.1%	87.1%
93424	Avila Beach	50	1.3%	90.2%	7	0.2%	87.3%
93409	San Luis Obispo	24	0.6%	90.8%	0	0.0%	87.3%
93412	Los Osos	22	0.6%	91.4%	0	0.0%	87.3%
93447	Paso Robles	21	0.5%	91.9%	2	0.1%	87.4%
93443	Morro Bay	21	0.5%	92.4%	0	0.0%	87.4%
93423	Atascadero	15	0.4%	92.8%	3	0.1%	87.5%
93403	San Luis Obispo	14	0.4%	93.2%	0	0.0%	87.5%
93451	San Miguel	14	0.4%	93.5%	0	0.0%	87.5%
93483	Grover Beach	13	0.3%	93.8%	17	0.6%	88.0%
93406	San Luis Obispo	13	0.3%	94.2%	0	0.0%	88.0%
93421	Arroyo Grande	8	0.2%	94.4%	16	0.5%	88.6%
93452	San Simeon	7	0.2%	94.6%	0	0.0%	88.6%
93432	Creston	6	0.2%	94.7%	2	0.1%	88.6%
93461	Shandon	6	0.2%	94.9%	0	0.0%	88.6%
93448	Pismo Beach	4	0.1%	95.0%	17	0.6%	89.2%
93407	San Luis Obispo	2	0.1%	95.0%	0	0.0%	89.2%
<b>Subtotal</b>		<u>3,768</u>	<u>95.0%</u>		<u>2,753</u>	<u>89.2%</u>	
<b>All Other (Outside County)</b>		<u>198</u>	<u>5.0%</u>	100.0%	<u>334</u>	<u>10.8%</u>	100.0%
<b>Total</b>		<u><u>3,966</u></u>	<u><u>100.0%</u></u>		<u><u>3,087</u></u>	<u><u>100.0%</u></u>	

Source: OSHPD 2002

\\prometheus\sys\EXCEL97\Vista\[Arroyo and French SLO Origin.xls]Pt Org Table

Note: Excludes normal newborns (DRG 391)

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

### San Luis Obispo County Hospital Services Market



Actual travel distances and estimated driving times (normal conditions) between acute care hospitals in the region are illustrated below.

**Distance Between Facilities**

Distance, Travel Time	Arroyo Grande Comm Hosp	French Hosp Med Ctr	Twin Cities Comm Hosp	Sierra Vista Reg Med Ctr	Marian Med Ctr
<b>Arroyo Grande Comm Hosp</b>	-	17.54 mi., 20 min.	38.89 mi., 43 min.	16.85 mi., 19 min.	17.05 mi., 20 min.
<b>French Hosp Med Ctr</b>	17.54 mi., 20 min.	-	23.02 mi., 28 min.	1.57 mi., 4 min.	33.45 mi., 37 min.
<b>Twin Cities Comm Hosp</b>	38.89 mi., 43 min.	23.02 mi., 28 min.	-	23.31 mi., 28 min.	54.51 mi., 59 min.
<b>Sierra Vista Reg Med Ctr</b>	16.85 mi., 19 min.	1.57 mi., 4 min.	23.31 mi., 28 min.	-	32.22 mi., 35 min.
<b>Marian Med Ctr</b>	17.05 mi., 20 min.	33.45 mi., 37 min.	54.51 mi., 59 min.	32.22 mi., 35 min.	-

Source: Mapquest

F:\EXCEL97\Vista\Distance between facilities.xls]Table

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

A detailed review of patient migration patterns and patient origin by sub-region (north, central, and south) for each of the four acute care hospitals in the area (and the recently closed County facility) reveals the following:

- ❑ Twin Cities Community Hospital draws the vast majority of its patients from the northern sub-region of the County. Very few residents from the central and southern areas of the County utilize Twin Cities, in large part due to distance and unwillingness to traverse the Cuesta Grade.
- ❑ Arroyo Grande Community Hospital draws mainly from the southern part of the County. Distance, accessibility, and the facility's somewhat narrow scope of services compared to French Hospital and Sierra Vista Regional Medical Center limit patient draw from many parts of the County.
- ❑ French Hospital and Sierra Vista Regional Medical Center are centrally located within the County and have the broadest array of hospital services among the four acute care hospitals. These factors allow the two facilities to draw patients on a countywide basis.

The table below illustrates the patient draw for each hospital located in the County from each of the sub-regions.

**County of San Luis Obispo  
Hospital Patient Origin by Subregion  
CY 2002**

Hospital	North		Central		South		TOTAL	
	Num	% of Hosp	Num	% of Hosp	Num	% of Hosp	Num	% of Hosp
Arroyo Grande Community Hospital	40	1.5%	515	18.7%	2,198	79.8%	2,753	100.0%
French Hospital	756	20.1%	2,287	60.7%	725	19.2%	3,768	100.0%
San Luis Obispo General Hospital <sup>(1)</sup>	306	27.0%	534	47.1%	293	25.9%	1,133	100.0%
Sierra Vista Regional Medical Center	1,603	28.8%	2,870	51.5%	1,099	19.7%	5,572	100.0%
Twin Cities Community Hospital	4,526	96.3%	144	3.1%	28	0.6%	4,698	100.0%
<b>TOTAL</b>	7,231	40.3%	6,350	35.4%	4,343	24.2%	17,924	100.0%

Source: OSHPD

\\prometheus\sys\EXCEL97\Vista[Sub Regions.xls]Table

Note: Excludes patients who reside outside of San Luis Obispo County

(1) Facility closed on 6/19/2003

Note: Subregions defined as the following ZIP Codes:

North: 93422, 93423, 93426, 93428, 93430, 93432, 93446, 93447, 93451, 93452, 93461, 93465

Central: 93401, 93402, 93403, 93405, 93406, 93407, 93409, 93410, 93412, 93424, 93442, 93443, 93448, 93449, 93453

South: 93420, 93421, 93433, 93444, 93445, 93483

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

### DEMOGRAPHIC PROFILE

San Luis Obispo County has an estimated resident population (2003) of approximately 258,000 residents. Major demographic characteristics of the area are as follows:

- ❑ Relatively “older” population (average age of 37.8 compared to 34.5 for California)
  - ◆ The 0-14 (pediatric) population represents 17.5 percent of the total population, which is relatively low
  - ◆ 14.4 percent of area residents are seniors aged 65+ compared to 11-12 percent for the State of California
- ❑ Moderate population growth projected over the next five years
- ❑ Predominately White (approximately 75 percent)
- ❑ Lower median household income (\$49,847) compared to the State (\$55,749)
- ❑ California Polytechnic State University in San Luis Obispo has an enrollment of approximately 18,500 students (not included in resident population)
- ❑ There is a large migrant worker population in the region (estimates vary from 10,000 to 22,000)
- ❑ Detailed demographic tables for the area follow:

**San Luis Obispo County  
Resident Population by Age Cohort  
2003 and 2008**

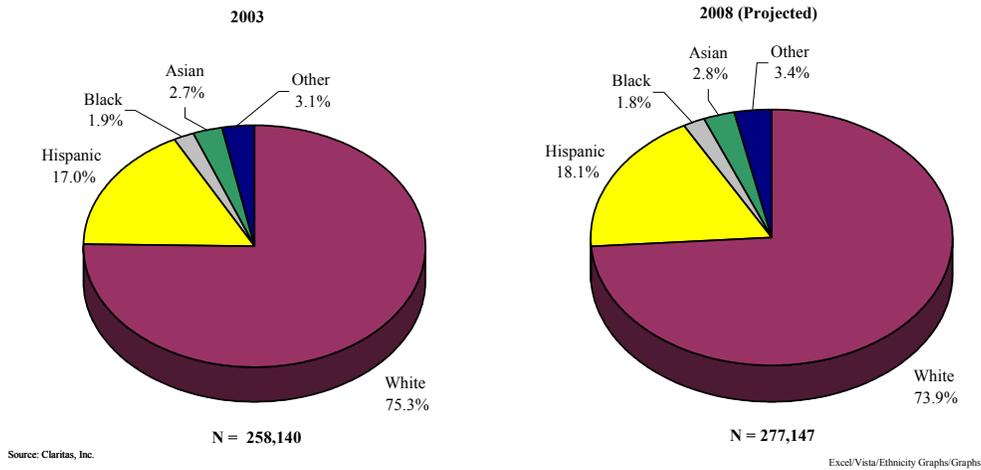
Age Cohort	San Luis Obispo County				
	Est. 2003	Percent of Total	Proj. 2008	Percent of Total	Percent Change
0-14	45,263	17.5%	47,092	17.0%	4.0%
15-44	111,994	43.4%	114,927	41.5%	2.6%
45-64	63,720	24.7%	75,193	27.1%	18.0%
65+	37,162	14.4%	39,936	14.4%	7.5%
<b>Total</b>	<b>258,140</b>	<b>100.0%</b>	<b>277,147</b>	<b>100.0%</b>	<b>7.3%</b>
Women 15-44	51,486	19.9%	53,036	19.1%	3.0%
Median Age	37.8		38.9		

Source: Claritas, Inc.

\\prometheus\sys\EXCEL97\ Vista\ [Pop by Age Comp to CA\_2003, 2004.xls]Table

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

San Luis Obispo County  
Ethnicity Profile  
2003 and 2008



San Luis Obispo County  
Socioeconomic Profile  
2003 and 2008

Socioeconomic Indicator	San Luis Obispo County		
	2003	2008	Percent Change
Population	258,140	277,147	7.3%
Households	97,708	105,925	8.4%
Average Household Size	2.5	2.5	
Median Household Income	\$49,847	\$57,635	15.6%
Average Household Income	\$66,069	\$78,312	18.5%
Income Distribution			
Under \$25,000	21.7%	17.2%	-21.1%
\$25,000-\$49,999	28.3%	26.6%	-6.3%
\$50,000-\$99,999	33.7%	33.9%	0.6%
\$100,000+	15.9%	22.9%	43.9%

Source: Claritas, Inc.

\\prometheus\sys\EXCEL97\Vista[Socioecon 2003, 2004.xls]table

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

### SELECTED HEALTH STATUS INDICATORS

The California Department of Health Services reports the following regarding San Luis Obispo County's health status for 2002.

Infant mortality: The infant mortality rate is lower than the State as a whole, but the relatively high percentage of women who deliver with late or no prenatal care is a concern.

Nativity Statistics, 1999-2001			
Indicator	San Luis Obispo County	California	National Goal
Low Birth Weight Infants	5.1%	6.2%	5.0%
Late or no Prenatal Care	17.1%	15.5%	10.0%
Birth Rate to Adolescents (per 1,000 population)	22.6	47.7	N/E
Infant Mortality Rate (per 1,000 births)	4.8	5.7	4.5

Source: California Department of Health Services, County Health Status Profiles, 2003

\\prometheus\sys\EXCEL97\Vista\[Health Status.xls]Nativity Stats

Deaths: Chronic diseases are the main cause of death with heart disease and cancer accounting for almost half the mortality.

Mortality Statistics, 1999-2001 Rate per 100,000 Population			
Indicator	San Luis Obispo County	California	National Goal
Cancer	166.7	176.1	159.9
Heart Disease	154.6	194.3	166.0
Cerebrovascular Disease	52.3	61.2	48.0
Unintentional Injuries	33.0	27.2	17.5
Diabetes	14.3	20.7	N/A
Suicide	12.8	9.5	5.0
Drug-Related Deaths	11.9	8.4	1.0
All Causes	685.7	760.0	N/E

Source: California Department of Health Services, County Health Status Profiles, 2003

\\prometheus\sys\EXCEL97\Vista\[Health Status.xls]Mortality Stats

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

Communicable Diseases: Chlamydia is the most frequently reported disease in the County and it remains substantially below the California rate. The rates of incidence of AIDS and TB are well below the State rate as well.

Morbidity Statistics, 1999-2001 Incidence Rate per 100,000 Population			
Indicator	San Luis Obispo County	California	National Goal
Hepatitis C	0.00	0.39	1.0
AIDS	11.20	16.35	1.0
Tuberculosis	3.40	9.85	1.0
Chlamydia	151.11	271.59	N/A

Source: California Department of Health Services, County Health Status Profiles, 2003

\\prometheus\sys\EXCEL97\Vista\[Health Status.xls]Morbidity Stats

Access to health care and health insurance is a challenge for many with approximately 42,500 uninsured children and adults residing in San Luis Obispo County (16.5% of the total population).

The percentage of San Luis Obispo County residents who are eligible for Medi-Cal is relatively low compared to other Counties and the State.

### Medi-Cal Eligibles San Luis Obispo County vs. Other Areas

Area	Medi-Cal Eligibles	2003 Population	Percent of Population
San Luis Obispo County	26,895	258,140	10.4%
Santa Barbara County	60,496	416,372	14.5%
Ventura County	95,043	780,887	12.2%
Monterey County	74,176	427,424	17.4%
Los Angeles County	2,473,069	9,886,211	25.0%
State of California	6,384,279	35,345,860	18.1%

Source: California Department of Health Services

F:\EXCEL97\Vista\[Health Status.xls]SLO Medi-Cal Eligibles

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

### PHYSICIAN SUPPLY

Based on an analysis of the current physician supply in San Luis Obispo County and theoretical demand based on physician-to-population ratios, the area has an overall shortage of physicians, particularly primary care practitioners. Refer to the table below.

San Luis Obispo County  
Physician Manpower Needs Model - 2003

Physician Specialty	Pop. to Support One Physician	Area Physician Need	Existing FTE Supply <sup>(1)</sup>	Net Need/ (Surplus)
Allergy & Immunology	75,000	3.4	3.0	0.4
Anesthesiology- General	11,000	23.5	27.0	(3.5)
Cardiology	25,000	10.3	12.0	(1.7)
Cardiovascular Surgery	75,000	3.4	4.0	(0.6)
Dermatology	35,000	7.4	12.0	(4.6)
Emergency Medicine	18,000	14.3	36.0	(21.7)
Endocrinology	100,000	2.6	1.0	1.6
Family Practice	4,000	64.5	49.0	15.5
Gastroenterology	60,000	4.3	7.0	(2.7)
General Surgery	10,000	25.8	14.0	11.8
Hematology - Oncology	45,000	5.7	5.0	0.7
Infectious Diseases	125,000	2.1	-	2.1
Internal Medicine	4,500	57.4	37.0	20.4
Neonatology	119,617	2.2	4.0	(1.8)
Nephrology	112,000	2.3	3.0	(0.7)
Neurology	55,000	4.7	3.0	1.7
Neurosurgery	92,000	2.8	1.0	1.8
Obstetrics/Gynecology	9,000	28.7	18.0	10.7
Ophthalmology	25,000	10.3	23.0	(12.7)
Orthopedic Surgery	18,000	14.3	20.0	(5.7)
Otorhinolaryngology	35,000	7.4	6.0	1.4
Pathology	20,000	12.9	10.0	2.9
Pediatrics	7,800	33.1	20.0	13.1
Phys. Med. and Rehab.	76,000	3.4	7.0	(3.6)
Plastic Surgery	90,000	2.9	5.0	(2.1)
Psychiatry	10,000	25.8	7.0	18.8
Pulmonary Diseases	68,000	3.8	4.0	(0.2)
Radiation Oncology	91,000	2.8	3.0	(0.2)
Radiology	11,000	23.5	26.0	(2.5)
Rheumatology	120,000	2.2	2.0	0.2
Thoracic Surgery	119,000	2.2	-	2.2
Urology	35,000	7.4	7.0	0.4
Vascular Surgery	119,000	2.2	-	2.2
Total 2003 PSA Population	258,140			

Sources: The Camden Group; American Medical Information Inc. Database; San Luis Obispo County Medical Association

(1) Assumes all physicians in the area are 1 FTE; Physicians with multiple offices assigned 0.5 FTE at each location

= indicates need

\\prometheus\sys\EXCEL97\Vista\Service Area Needs Model.xls]Needs Model

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

### PROFILE OF AREA HOSPITALS, CAPACITY AND OCCUPANCY

- There are four general acute care hospitals located within the County. A profile of the facilities within the region is shown below.

Inpatient Hospital Capacity Indicators  
2002

Hospital	Ownership	Discharges <sup>(1)</sup>	Patient Days	Lic Beds		Available Beds	
				Num.	Occ. Rate	Num.	Occ. Rate
<b>County Hospitals</b>							
Arroyo Grande Community Hospital	Not-for-profit	3,140	13,216	65	55.7%	63	57.5%
French Hospital - San Luis Obispo	Corporation	4,416	15,065	112	36.9%	97	42.6%
San Luis Obispo General Hospital <sup>(2)</sup>	County	1,136	4,273	78	15.0%	46	25.4%
Sierra Vista Regional Medical Center	Tenet	6,039	32,140	201	43.8%	165	53.4%
Twin Cities Community Hospital	Tenet	4,765	21,841	84	71.2%	72	83.1%
<b>Subtotal</b>		<b>19,496</b>	<b>86,535</b>	<b>540</b>	<b>43.9%</b>	<b>443</b>	<b>53.5%</b>
<b>Other Regional Hospitals</b>							
Community Hospital Of Monterey Peninsula	Not-for-profit	12,624	52,721	172	84.0%	171	84.5%
Community Mem Hosp-San Buenaventura	CMH	17,433	67,450	237	78.0%	237	78.0%
George L. Mee Memorial Hospital	Not-for-profit	2,324	16,262	68	65.5%	68	65.5%
Goleta Valley Cottage Hospital	Cottage Health System	1,389	15,051	129	32.0%	129	32.0%
Lompoc Healthcare District	Hospital District	2,546	45,982	170	74.1%	170	74.1%
Marian Medical Center	CHW	11,024	72,252	245	80.8%	245	80.8%
Natividad Medical Center	County	8,301	36,625	211	47.6%	181	55.4%
Ojai Valley Community Hospital	Not-for-profit	1,470	26,657	110	66.4%	103	70.9%
Salinas Valley Memorial Hospital	Hospital District	12,194	54,626	247	60.6%	221	67.7%
Santa Barbara Cottage Hospital	Cottage Health System	18,075	76,680	431	48.7%	295	71.2%
Santa Ynez Valley Cottage Hospital	Cottage Health System	321	854	30	7.8%	20	11.7%
St. Johns Pleasant Valley Hospital	CHW	3,990	38,614	173	61.2%	155	68.3%
St. Johns Regional Medical Center	CHW	12,213	62,878	238	72.4%	228	75.6%
Ventura County Medical Center	County	11,666	46,823	223	57.5%	196	65.5%
<b>Subtotal</b>		<b>118,093</b>	<b>627,739</b>	<b>2,769</b>	<b>62.1%</b>	<b>2,499</b>	<b>68.8%</b>
<b>Total</b>		<b>137,589</b>	<b>714,274</b>	<b>3,309</b>	<b>59.1%</b>	<b>2,942</b>	<b>66.5%</b>

Source: OSHPD Quarterly Financial Report, 4 Quarters ending 2002; Interviews with Hospital CEOs

(1) Includes normal newborns

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- The average daily census (“ADC”) for each of the four hospitals within the County is higher in 2003 than in 2002 (refer to table below).

Hospital	ADC		Occupancy <sup>(1)</sup>	
	2002	2003	2002	2003
Arroyo Grande Community Hospital	38	44	57.5%	67.7%
French Hospital	44	45	45.4%	46.4%
Sierra Vista Regional Medical Center	88	99	53.4%	60.0%
Twin Cities Community Hospital	59	60	83.1%	83.3%

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(1) For available beds. 2003 data through September.

Source: Interviews with senior management of individual facilities

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

### HOSPITAL PATIENT INMIGRATION AND OUTMIGRATION

An examination of hospital patient origin data and market share reveals that approximately 84% of San Luis Obispo County residents that require inpatient care utilize hospitals within the County based on CY 2002 data. Correspondingly, 16% utilize hospitals located outside the area (outmigration).

An analysis of the acute care hospitals within the County indicates that approximately 92% of aggregated discharges are County residents while 8% are patients residing outside the County (i.e., only 8% of total inpatients come from outside the County). This data supports the designation of San Luis Obispo County as a distinct health care market.

San Luis Obispo County	<u>Outmigration <sup>(1)</sup></u>		
	16.4%		
	<u>Patient Origin Percent From</u>		
<u>Inmigration to County Hospitals</u>	<u>Total Discharges</u>	<u>SLO County</u>	<u>Outside (Immigration)</u>
Arroyo Grande Community Hospital	3,087	89.2%	10.8%
French Hospital - San Luis Obispo	3,966	95.0%	5.0%
San Luis Obispo County Mental Health	979	93.4%	6.6%
San Luis Obispo General Hospital (closed)	1,165	97.4%	2.6%
Sierra Vista Regional Medical Center	6,214	89.7%	10.3%
Twin Cities Community Hospital	4,991	94.2%	5.8%
<b>Total</b>	<b>20,402</b>	<b>92.4%</b>	<b>7.6%</b>

Source: OSHPD 2002

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<sup>(1)</sup> Defined as County residents who had an inpatient hospital stay in 2002 in a facility outside of San Luis Obispo County (i.e., not at any of the facilities listed above)

<sup>(2)</sup> Patients who reside outside of San Luis Obispo County that were inpatients at one of the facilities within the County.

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

**Area Hospitals  
Comparative Listing of Major Services  
2002**

Services	Arroyo Grande Comm Hosp	French Hosp	Marian Medical Center	Sierra Vista Regional Medical Center	Twin Cities Community Hospital
Birth Room		X	X	X	X
Breast Cancer Screening/Mammograms	X	X	X	X	
Cardiac Catheterization Laboratory		X	X	X	
Coronary Intensive Care Services		X	X		
CT Scanner	X	X	X	X	X
Emergency Department (# of Stations / Level) <sup>1</sup>	11 stations Level 3	9 stations Level 3	14 stations Level 3	8 stations Level 3	13 stations Level 3
Lithotripsy	X	X	X		
Geriatric Services	X	X	X	X	
Hemodialysis		X	X	X	X
Home Health Services			X		
Magnetic Resonance Imaging (MRI)	X	X	X	X	X
Medical Surgical Intensive Care Services (# of Beds)	8 beds	8 beds	8 beds	11 beds	8 beds
Neonatal Intensive Care Services (# of Beds)				16 beds	
Obstetric Services		X	X	X	X
Occupational Therapy	X	X	X	X	X
Oncology Services	X	X	X	X	X
Open Heart Surgery		X	X	X	
Physical Therapy - Inpatient	X	X	X	X	X
Physical Therapy - Outpatient	X	X	X	X	X
Positron emission tomography scanner (PET)					
Psychiatric Services			Child Care Only		
Radiation Therapy				X	
Skilled Nursing or Other Long-Term Care Services (# of Beds)	12 beds		95 beds		
Trauma Center (Designation)					
Ultrasound	X	X	X	X	X

Source: OSHPD Annual Financial Reports, OSHPD Annual Utilization Reports and hospital websites  
(1) Emergency department stations and level from OSHPD 2001 Annual Utilization Report

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- Most primary, secondary, and tertiary hospital services are available within San Luis Obispo County. French Hospital and Sierra Vista Regional Medical Center have the broadest depth of services within the County.
- Outmigration on a service basis consists mainly of pediatric subspecialty care, NICU, transplant, and other quaternary cases.
- Inpatient mental health services are not provided within any of the four acute care hospitals in the County. After the closure of General Hospital in June of this year, the County developed a 16 bed psychiatric health facility (“PHF”) from the inpatient psychiatric unit. According to management, year-to-date census is approximately 9 (56.3% occupancy).

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

### EMERGENCY DEPARTMENT ANALYSIS

□ The table below illustrates available capacity, volumes, and ED admissions for the region.

Emergency Department Capacity Analysis  
2001

Hospital	ED Level	Stations	Approx. Capacity <sup>(1)</sup>	ED Visits			Admitted from ER			
				% Non Urgent	% Urgent	% Critical	Total Num.	% of Capacity	Num	% of Total
<b>County Hospitals</b>										
Arroyo Grande Community Hospital	3	11	22,000	7.6%	61.8%	30.6%	20,355	92.5%	2,370	11.6%
French Hospital - San Luis Obispo	3	9	18,000	12.4%	51.9%	35.6%	12,798	71.1%	2,042	16.0%
San Luis Obispo General Hospital <sup>(2)</sup>	3	9	18,000	59.1%	40.9%	0.0%	11,251	62.5%	348	3.1%
Sierra Vista Regional Medical Center	3	8	16,000	45.0%	35.0%	20.0%	21,011	131.3%	1,835	8.7%
Twin Cities Community Hospital	3	13	26,000	41.7%	51.2%	7.1%	31,760	122.2%	2,947	9.3%
<b>Subtotal</b>		<b>50</b>	<b>100,000</b>	<b>33.4%</b>	<b>48.8%</b>	<b>17.8%</b>	<b>97,175</b>	<b>97.2%</b>	<b>9,542</b>	<b>9.8%</b>
<b>Other Regional Hospitals</b>										
Community Hospital Of Monterey Peninsula	3	11	22,000	17.1%	82.2%	0.7%	47,327	215.1%	7,238	15.3%
Community Mem Hosp-San Buenaventura	3	16	32,000	79.7%	15.7%	4.6%	30,602	95.6%	5,716	18.7%
George L. Mee Memorial Hospital	3	6	12,000	40.0%	57.0%	3.0%	7,686	64.1%	480	6.2%
Goleta Valley Cottage Hospital	3	8	16,000	23.1%	58.1%	18.8%	14,200	88.8%	752	5.3%
Lompoc Healthcare District	3	8	16,000	33.7%	53.3%	13.0%	16,566	103.5%	1,523	9.2%
Marian Medical Center	3	14	28,000	32.5%	48.7%	18.8%	39,484	141.0%	5,740	14.5%
Natividad Medical Center	3	18	36,000	3.4%	77.1%	19.5%	32,411	90.0%	3,309	10.2%
Ojai Valley Community Hospital	2	4	8,000	28.9%	65.6%	5.5%	7,845	98.1%	802	10.2%
Salinas Valley Memorial Hospital	3	12	24,000	42.0%	51.4%	6.6%	31,956	133.2%	6,548	20.5%
Santa Barbara Cottage Hospital	3	17	34,000	31.3%	61.8%	7.0%	30,328	89.2%	5,860	19.3%
Santa Ynez Valley Cottage Hospital	2	4	8,000	35.7%	60.1%	4.2%	5,715	71.4%	226	4.0%
St. Francis Med Ctr-Santa Barbara (closed)	3	8	16,000	68.0%	25.0%	7.0%	9,908	61.9%	1,352	13.6%
St. Johns Pleasant Valley Hospital	3	8	16,000	11.0%	77.1%	11.9%	16,343	102.1%	1,813	11.1%
St. Johns Regional Medical Center	3	20	40,000	29.0%	53.0%	18.0%	42,727	106.8%	4,988	11.7%
Ventura County Medical Center	3	16	32,000	46.0%	41.0%	13.0%	34,811	108.8%	3,898	11.2%
<b>Subtotal</b>		<b>170</b>	<b>340,000</b>	<b>33.3%</b>	<b>55.7%</b>	<b>11.0%</b>	<b>367,909</b>	<b>108.2%</b>	<b>50,245</b>	<b>13.7%</b>
<b>Total</b>		<b>220</b>	<b>440,000</b>	<b>33.3%</b>	<b>54.3%</b>	<b>12.4%</b>	<b>465,084</b>	<b>105.7%</b>	<b>59,787</b>	<b>12.9%</b>

Sources: OSHPD 2001 Annual Hospital Utilization Report

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(1) Estimated annual capacity per ED station is 2,000 visits per year based on data from the American College of Emergency Room Physicians, and The Camden Group.

(2) Facility closed in 2003

- Three of the four acute care hospitals in the County are running above optimal capacity within their emergency departments. Based on interviews with senior management at Arroyo Grande, Sierra Vista, and Twin Cities, all of those facilities are facing a need for expanding their EDs.
- Arroyo Grande and French have a higher percentage of ED patients admitted than the two Tenet facilities.

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

### ED MARKET SHARE

Comprehensive emergency department market share data that accounts for all patients is not publicly available. However, data is available for emergency department patients who are admitted to a hospital. This data set provides some insight into ED usage overall and by payer. Analysis of this information reveals the following:

- ❑ Roughly 90% of ED visits from County residents go to facilities located in the County.
- ❑ Twin Cities Community Hospital has the highest share of Medi-Cal and indigent admissions through the ED.
- ❑ The two Tenet hospitals treat 46% of Medi-Cal ED admissions and 45% of Indigent ED admissions.
- ❑ French Hospital has, by far, the lowest patient load of Medi-Cal and indigent patients admitted through the ED of the four hospitals located in the County.

**County of San Luis Obispo  
Market Share by Payer Admitted Through Emergency Room  
CY 2002**

Hospital	Total Discharges		Medi-Cal			Medicare			Private Coverage				County Indigent	Other Payer (1)
	Num	% of Total	Managed Care	FFS	Total	Managed Care	FFS	Total	HMO	PPO	Indemnity	Total		
Twin Cities Community Hospital	2,734	27.4%	35.3%	24.9%	25.3%	0.0%	33.5%	31.3%	8.6%	28.4%	21.3%	19.6%	26.8%	26.8%
Sierra Vista Regional Medical Center	2,212	22.1%	29.4%	20.4%	20.8%	0.0%	22.7%	21.2%	15.3%	25.9%	11.3%	20.5%	18.2%	35.2%
Arroyo Grande Community Hospital	1,961	19.6%	0.0%	20.6%	19.7%	77.3%	20.2%	24.0%	13.7%	16.2%	5.0%	14.4%	25.8%	5.4%
French Hospital	1,627	16.3%	2.9%	8.1%	7.9%	1.4%	14.3%	13.4%	52.6%	15.0%	3.1%	30.2%	8.6%	5.4%
Marian Medical Center	384	3.8%	2.9%	3.9%	3.8%	8.1%	3.2%	3.6%	2.3%	5.4%	28.1%	5.6%	0.0%	1.7%
San Luis Obispo General Hospital	378	3.8%	0.0%	14.9%	14.3%	0.3%	1.1%	1.0%	0.7%	0.0%	4.4%	0.6%	20.2%	16.0%
Santa Barbara Cottage Hospitals	154	1.5%	20.6%	0.4%	1.2%	5.9%	0.4%	0.8%	0.8%	2.1%	10.6%	2.1%	0.0%	5.6%
<b>Subtotal</b>	<b>9,450</b>	<b>94.6%</b>	<b>91.2%</b>	<b>93.1%</b>	<b>93.0%</b>	<b>93.0%</b>	<b>95.4%</b>	<b>95.3%</b>	<b>93.9%</b>	<b>93.1%</b>	<b>83.8%</b>	<b>92.8%</b>	<b>99.5%</b>	<b>96.0%</b>
<b>All Other</b>	<b>537</b>	<b>5.4%</b>	<b>8.8%</b>	<b>6.9%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>4.6%</b>	<b>4.7%</b>	<b>6.1%</b>	<b>6.9%</b>	<b>16.3%</b>	<b>7.2%</b>	<b>0.5%</b>	<b>4.0%</b>
<b>Total</b>	<b>9,987</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>							
<i>N =</i>			<i>34</i>	<i>827</i>	<i>861</i>	<i>370</i>	<i>5,182</i>	<i>5,552</i>	<i>1,053</i>	<i>1,270</i>	<i>160</i>	<i>2,483</i>	<i>198</i>	<i>893</i>
<i>% of Total</i>			<i>0.3%</i>	<i>8.3%</i>	<i>8.6%</i>	<i>3.7%</i>	<i>51.9%</i>	<i>55.6%</i>	<i>10.5%</i>	<i>12.7%</i>	<i>1.6%</i>	<i>24.9%</i>	<i>2.0%</i>	<i>8.9%</i>

Source: OSHPD

Note: Excludes Normal Newborns (DRG 391)

(1) Other Payer includes: Other Payer, Other Indigent, Self Pay, Workers' Compensation and Other Government

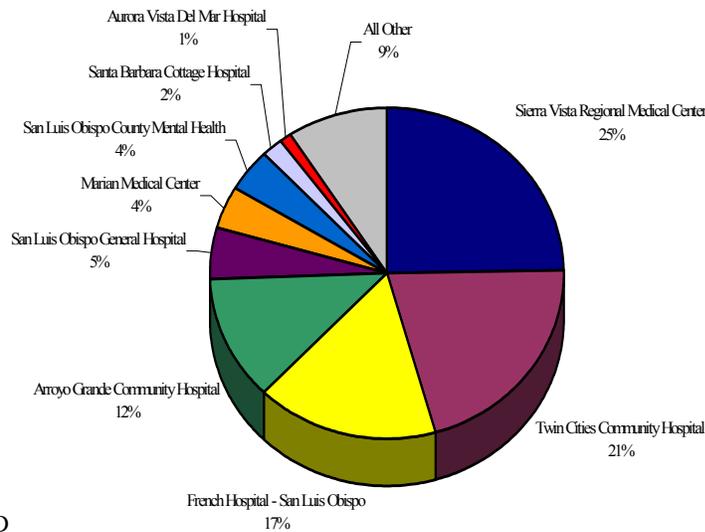
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## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITAL (RELEVANT GEOGRAPHIC SERVICE AREA)

### OVERALL HOSPITAL MARKET SHARE

- ❑ Tenet currently has a 46% market share within San Luis Obispo County.
- ❑ French and Arroyo Grande rank third and fourth respectively with a combined 29% share.
- ❑ An examination of hospital market share for the past five years (1998-2002) reveals the following:
  - ◆ Sierra Vista and French have lost market share while Twin Cities and Arroyo Grande have gained share.
  - ◆ Outmigration from the service area has decreased from 8% to 6%.
- ❑ San Luis Obispo General Hospital, which closed in June of this year, had a 5% market share in 2002.
- ❑ Twin Cities and Sierra Vista have substantially higher volumes and market share for Medi-Cal than either French or Arroyo Grande. In addition, the two Tenet facilities both treat a larger portion of indigent inpatients than French or Arroyo Grande.

**San Luis Obispo County  
Inpatient Discharge Market Share by Hospital  
2002**



Source: OSHPD

Note: Excludes normal newborns (DRG391)

Excel/Vista/Mkt Shr 5-year trend[Chart].xls

N=22,535

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITALS (RELEVANT GEOGRAPHIC SERVICE AREA)

San Luis Obispo County  
Market Share Trend  
1998 - 2002

Hospitals	1998		1999		2000		2001		2002	
	Number	% of Total								
Sierra Vista Regional Medical Center	6,131	27.7%	6,047	27.1%	5,650	25.1%	5,623	24.6%	5,573	24.7%
Twin Cities Community Hospital	4,167	18.8%	4,091	18.4%	4,570	20.3%	4,596	20.1%	4,700	20.9%
French Hospital - San Luis Obispo	4,277	19.3%	4,751	21.3%	4,017	17.9%	4,076	17.9%	3,769	16.7%
Arroyo Grande Community Hospital	2,215	10.0%	2,694	12.1%	2,990	13.3%	2,968	13.0%	2,754	12.2%
San Luis Obispo General Hospital	1,250	5.6%	1,071	4.8%	1,045	4.7%	1,023	4.5%	1,135	5.0%
Marian Medical Center	798	3.6%	907	4.1%	999	4.4%	962	4.2%	930	4.1%
San Luis Obispo County Mental Health	695	3.1%	757	3.4%	890	4.0%	987	4.3%	914	4.1%
Santa Barbara Cottage Hospital	316	1.4%	321	1.4%	432	1.9%	396	1.7%	455	2.0%
Aurora Vista Del Mar Hospital	91	0.4%	81	0.4%	110	0.5%	245	1.1%	224	1.0%
Stanford Hospital	165	0.7%	172	0.8%	183	0.8%	157	0.7%	188	0.8%
U.C.L.A. Medical Center	141	0.6%	132	0.6%	144	0.6%	159	0.7%	159	0.7%
St. Francis Medical Ctr-Santa Barbara	27	0.1%	48	0.2%	103	0.5%	94	0.4%	87	0.4%
Children's Hospital of Los Angeles	63	0.3%	63	0.3%	73	0.3%	79	0.3%	87	0.4%
U.C.S.F. Medical Center	69	0.3%	74	0.3%	115	0.5%	98	0.4%	81	0.4%
<b>Subtotal</b>	<b>20,405</b>	<b>92.1%</b>	<b>21,209</b>	<b>95.1%</b>	<b>21,321</b>	<b>94.9%</b>	<b>21,463</b>	<b>94.1%</b>	<b>21,056</b>	<b>93.4%</b>
<b>All Other</b>	<b>1,745</b>	<b>7.9%</b>	<b>1,082</b>	<b>4.9%</b>	<b>1,149</b>	<b>5.1%</b>	<b>1,354</b>	<b>5.9%</b>	<b>1,479</b>	<b>6.6%</b>
<b>Total</b>	<b>22,150</b>	<b>100.0%</b>	<b>22,291</b>	<b>100.0%</b>	<b>22,470</b>	<b>100.0%</b>	<b>22,817</b>	<b>100.0%</b>	<b>22,535</b>	<b>100.0%</b>

Source: OSHPD

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Note: Excludes normal newborns (DRG 391)

□ Market share by service line (2002) is illustrated below.

San Luis Obispo County  
Market Share by Service Line  
2002

Service Line	Total Discharges		Sierra Vista		French Hosp		Twin Cities		Arroyo Grande		SLO General		Mental Health	
	Number	% of Tot	Number	% of Tot	Number	% of Tot	Number	% of Tot	Number	% of Tot	Number	% of Tot	Number	% of Tot
Cardiology - Diagnostic/Interventional	702	3.1%	116	16.5%	342	48.7%	109	15.5%	14	2.0%	1	0.1%	0	0.0%
Cardiology - Medical	1,953	8.7%	298	15.3%	405	20.7%	459	23.5%	509	26.1%	77	3.9%	0	0.0%
Cardiology - Surgery	301	1.3%	38	12.6%	199	66.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Chemical Dependency	194	0.9%	18	9.3%	4	2.1%	18	9.3%	20	10.3%	18	9.3%	26	13.4%
Endocrine	584	2.6%	127	21.7%	111	19.0%	146	25.0%	95	16.3%	38	6.5%	0	0.0%
ENT	136	0.6%	32	23.5%	27	19.9%	23	16.9%	13	9.6%	10	7.4%	0	0.0%
Gastroenterology	1,939	8.6%	383	19.8%	306	15.8%	448	23.1%	361	18.6%	102	5.3%	0	0.0%
General Medicine	1,128	5.0%	251	22.3%	181	16.0%	258	22.9%	160	14.2%	109	9.7%	0	0.0%
General Surgery	1,605	7.1%	328	20.4%	267	16.6%	460	28.7%	225	14.0%	75	4.7%	0	0.0%
Gynecology	759	3.4%	241	31.8%	98	12.9%	231	30.4%	32	4.2%	22	2.9%	0	0.0%
Neonatal Intensive Care	521	2.3%	189	36.3%	55	10.6%	131	25.1%	0	0.0%	81	15.5%	0	0.0%
Neurology	1,139	5.1%	336	29.5%	187	16.4%	254	22.3%	188	16.5%	34	3.0%	1	0.1%
Neurosurgery	801	3.6%	444	55.4%	63	7.9%	30	3.7%	21	2.6%	0	0.0%	0	0.0%
Obstetrics & Deliveries	2,548	11.3%	895	35.1%	420	16.5%	629	24.7%	2	0.1%	387	15.2%	0	0.0%
Oncology	869	3.9%	163	18.8%	176	20.3%	171	19.7%	117	13.5%	36	4.1%	0	0.0%
Ophthalmology	36	0.2%	9	25.0%	7	19.4%	4	11.1%	4	11.1%	2	5.6%	0	0.0%
Orthopedics	2,415	10.7%	718	29.7%	310	12.8%	588	24.3%	332	13.7%	23	1.0%	0	0.0%
Pediatrics	79	0.4%	37	46.8%	14	17.7%	11	13.9%	3	3.8%	2	2.5%	0	0.0%
Plastic Surgery	86	0.4%	24	27.9%	20	23.3%	8	9.3%	8	9.3%	2	2.3%	0	0.0%
Psychiatry	1,356	6.0%	20	1.5%	7	0.5%	12	0.9%	13	1.0%	5	0.4%	887	65.4%
Pulmonary Medicine	1,599	7.1%	333	20.8%	275	17.2%	436	27.3%	290	18.1%	79	4.9%	0	0.0%
Rehabilitation	537	2.4%	290	54.0%	0	0.0%	0	0.0%	174	32.4%	0	0.0%	0	0.0%
Thoracic & Vascular Surgery	341	1.5%	83	24.3%	108	31.7%	66	19.4%	29	8.5%	1	0.3%	0	0.0%
Transplant	18	0.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Urology	889	3.9%	200	22.5%	187	21.0%	208	23.4%	144	16.2%	31	3.5%	0	0.0%
<b>Total</b>	<b>22,535</b>	<b>100.0%</b>	<b>5,573</b>	<b>24.7%</b>	<b>3,769</b>	<b>16.7%</b>	<b>4,700</b>	<b>20.9%</b>	<b>2,754</b>	<b>12.2%</b>	<b>1,135</b>	<b>5.0%</b>	<b>914</b>	<b>4.1%</b>

Source: OSHPD

Note: Excludes normal newborns (DRG 391)

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITALS (RELEVANT GEOGRAPHIC SERVICE AREA)

### San Luis Obispo County Market Share by Payer CY 2002

Hospital	Total Discharges		Medi-Cal			Medicare			Private Coverage				County Indigent	Other Payer <sup>(1)</sup>
	Num	% of Total	Managed Care	FFS	Total	Managed Care	FFS	Total	HMO	PPO	Indemnity	Total		
Sierra Vista Regional Medical Center	5,573	24.7%	18.9%	17.6%	17.6%	0.0%	24.4%	22.8%	21.3%	31.7%	8.5%	26.1%	14.8%	41.5%
Twin Cities Community Hospital	4,700	20.9%	15.8%	20.2%	20.1%	0.0%	26.4%	24.6%	9.1%	22.2%	9.7%	16.1%	14.3%	22.7%
French Hospital - San Luis Obispo	3,769	16.7%	3.2%	9.4%	9.2%	1.2%	16.2%	15.2%	39.2%	18.1%	3.2%	25.6%	6.8%	5.1%
Arroyo Grande Community Hospital	2,754	12.2%	0.0%	7.1%	6.9%	73.2%	15.9%	19.9%	7.1%	7.4%	1.9%	6.9%	13.0%	3.0%
San Luis Obispo General Hospital	1,134	5.0%	1.1%	22.2%	21.5%	0.2%	1.4%	1.3%	0.8%	0.0%	5.5%	0.7%	16.4%	11.9%
Marian Medical Center	930	4.1%	11.6%	5.5%	5.7%	6.2%	3.5%	3.7%	1.6%	4.3%	30.5%	4.9%	0.0%	1.9%
San Luis Obispo County Mental Health	914	4.1%	0.0%	10.1%	9.7%	0.0%	2.7%	2.5%	5.5%	0.2%	13.6%	3.1%	32.0%	0.4%
Santa Barbara Cottage Hospital	455	2.0%	40.0%	0.2%	1.5%	10.8%	0.9%	1.6%	0.6%	2.1%	3.8%	1.6%	0.2%	6.7%
<b>Subtotal</b>	<b>20,229</b>	<b>89.8%</b>	<b>90.5%</b>	<b>92.3%</b>	<b>92.2%</b>	<b>91.6%</b>	<b>91.6%</b>	<b>91.6%</b>	<b>85.0%</b>	<b>85.9%</b>	<b>76.7%</b>	<b>85.0%</b>	<b>97.5%</b>	<b>93.2%</b>
<b>All Other</b>	<b>2,306</b>	<b>10.2%</b>	<b>9.5%</b>	<b>7.7%</b>	<b>7.8%</b>	<b>8.4%</b>	<b>8.4%</b>	<b>8.4%</b>	<b>15.0%</b>	<b>14.1%</b>	<b>23.3%</b>	<b>15.0%</b>	<b>2.5%</b>	<b>6.8%</b>
<b>Total</b>	<b>22,535</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>							
<i>N =</i>			<i>95</i>	<i>2,870</i>	<i>2,965</i>	<i>665</i>	<i>9,004</i>	<i>9,669</i>	<i>2,949</i>	<i>3,962</i>	<i>472</i>	<i>7,383</i>	<i>440</i>	<i>2,078</i>
<i>% of Total</i>			<i>0.4%</i>	<i>12.7%</i>	<i>13.2%</i>	<i>3.0%</i>	<i>40.0%</i>	<i>42.9%</i>	<i>13.1%</i>	<i>17.6%</i>	<i>2.1%</i>	<i>32.8%</i>	<i>2.0%</i>	<i>9.2%</i>

Source: OSHPD

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Note: Excludes normal newborns (DRG 391)

(1) Other Payer includes: Other Payer, Other Indigent, Self Pay, Workers' Compensation and Other Government

## V. MARKET ANALYSIS FOR FRENCH HOSPITAL AND ARROYO GRANDE HOSPITALS (RELEVANT GEOGRAPHIC SERVICE AREA)

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### MAJOR OBSERVATIONS AND CONCLUSIONS

- ❑ While the resident population of San Luis Obispo County is estimated to be approximately 258,000, the total populace that utilizes area health care services could be 10 to 15% higher (upward of 295,000) including seasonal residents, migrant workers, college students and homeless. However, hospital admissions of these individuals are captured within data sets from OSHPD, French Hospital, and Arroyo Grande Hospital that have been analyzed and presented in this report.
- ❑ Steady continuing population growth and the aging of the population is expected to increased demand for health care services in San Luis Obispo County going forward.
- ❑ Access to primary health care is a concern in San Luis Obispo County with the shortage of primary care physicians in the area and overcrowding within area hospitals' EDs. The lack of primary care physician, growing migrant worker population, and sizeable underinsured population underscore the need for adequate emergency and urgent care services which provide primary care for individuals without personal physicians or who cannot access one in an adequate timeframe.
- ❑ With the closure of San Luis Obispo County Hospital there are community concerns regarding the "safety net" within the County for indigent and uninsured residents. There is a degree of apprehension within the community regarding the prospect of having only for-profit hospitals within the County and willingness to adequately support community need. Actual historical patient data suggests that the two Tenet facilities treat a substantially higher percentage of Medi-Cal and indigent patients than French Hospital or Arroyo Grande Hospital.
- ❑ Tenet has substantial market leverage in San Luis Obispo County with 46% inpatient market share.
- ❑ Tenet's ability and willingness to invest in its regional hospitals has allowed it to increase its competitive advantage over Vista which has not kept pace.



## **VI. HOSPITAL BED CAPACITY NEED ANALYSIS**

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## VI. HOSPITAL BED CAPACITY NEED ANALYSIS

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### BED CAPACITY NEED ANALYSIS

The Camden Group performed an analysis of bed capacity needs for San Luis Obispo County in the following categories:

- Total acute care beds
- Obstetrics beds
- Critical care beds
- Emergency department beds (stations)

This type of analysis examines the current and estimated future need for hospital beds based on historical volumes, current bed supply, population size and growth, and anticipated future usage.

In addition, an analysis was performed to demonstrate the expected impact under a hypothetical closure of French Hospital (i.e., ability to absorb French's volume). Relevant tables are shown on the following pages. Key findings are as follows:

- There is a major disparity between licensed hospital beds and staffed beds within the County. Only 80% of licensed beds are available with 60% currently staffed.
- With the closure of San Luis Obispo General Hospital in June, occupancy rates have increased at French Hospital and Sierra Vista Regional Medical Center particularly in obstetrics.
- A significant loss of available beds and/or a sizeable increase in patient volume would create a bed shortage, particularly during peak months of the year. An examination of hospital bed availability by type and bed usage in the County reveals that there is an adequate supply of med/surg beds, but that capacity challenges exist in obstetrics, critical care (seasonally), and emergency services.
- Hospital occupancy percentages, which are based on inpatient census, do not accurately reflect how "full" area hospitals are. Based on interviews with senior management at all of the acute care hospitals within the County, there is a large amount of outpatient or same day patients (e.g., surgical recovery) that require a bed. These patients are not reflected in traditional census or occupancy counts. Thus, reported occupancy percentages underrepresent actual bed availability.
- Based on year-to-date statistics from French Hospital and Sierra Vista Regional Medical Center, there is already a capacity problem in obstetrics at both facilities. In September, each facility was forced at some point to divert obstetric patients to the other facility because beds were not available.
- The County currently lacks sufficient emergency department beds to adequately meet volume demand based on optimal industry capacity standards. Area hospitals do absorb patients beyond these capacity limitations but waiting times must correspondingly increase.

## VI. HOSPITAL BED CAPACITY NEED ANALYSIS

- ❑ Projected population growth will increase future hospital bed needs. Over the next five years it is estimated that an additional 20 acute care beds will be required (at existing use rates per capita) based on population growth in the County.
- ❑ Tenet Healthcare Corporation is planning expansions at both its Sierra Vista and Twin Cities facilities based on population growth and increasing demand. If currently planned projects are completed they will enhance the supply of hospital beds and service availability in the County. However, Tenet has not begun construction on these projects and it will be a number of years before the additional capacity will come on line (provided the projects are actually completed). For the purposes of the bed need analysis, The Camden Group has kept area bed supply constant going forward.

### San Luis Obispo County Hospitals General Acute Care Hospital Bed Need

Indicator	Historical					% Change 1998-2002	Est. 2003 <sup>(1)</sup>	Projected	
	1998	1999	2000	2001	2002			2007	2012
Population	238,888	242,753	246,681	250,609	254,599	6.6%	258,140	273,163	293,081
Licensed Beds	564	563	552	540	548	-2.8%	470	470	470
Available Beds	454	464	467	471	425	-6.4%	374	374	374
Staffed Beds	281	287	283	305	317	12.8%	271	271	271
Discharges <sup>(2)</sup>	19,220	19,807	19,465	19,763	19,496	1.4%	19,767	20,918	22,443
Patient Days <sup>(2)</sup>	87,166	90,257	87,733	89,243	87,724	0.6%	88,944	94,120	100,983
Average Length of Stay	4.5	4.6	4.5	4.5	4.5	-0.8%	4.5	4.5	4.5
Average Daily Census	239	247	240	245	240	0.6%	244	258	277
Lic. Beds/1,000 Population	2.4	2.3	2.2	2.2	2.2	-8.8%	1.8	1.7	1.6
Avail. Beds/1,000 Population	1.9	1.9	1.9	1.9	1.7	-12.2%	1.4	1.4	1.3
Staffed Beds/1,000 Population	1.2	1.2	1.1	1.2	1.2	5.8%	1.0	1.0	0.9
Discharges/1,000 Population <sup>(3)</sup>	80	82	79	79	77	-4.8%	77	77	77
Days/1,000 Population <sup>(3)</sup>	365	372	356	356	345	-5.6%	345	345	345
Estimated Bed Need @ 70% Occupancy	341	353	343	349	343	0.6%	348	368	395
Bed Need: Available Beds	(113)	(111)	(124)	(122)	(82)		(26)	(6)	21
Bed Need: Staffed Beds	60	66	61	44	26		77	97	124

Sources: OSHPD Quarterly Financial Reports and Claritas, Inc.

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(1) Bed supply adjusted for closure of San Luis Obispo General Hospital

(2) Adjusted for in- and outmigration

(3) Assumes use rates remain constant going forward

Note: The following hospitals were included: Arroyo Grande Community Hospital, French Hospital,

San Luis Obispo General Hospital, Sierra Vista Regional Medical Center and Twin Cities Community Hospital

## VI. HOSPITAL BED CAPACITY NEED ANALYSIS

### County of San Luis Obispo Critical Care Volume/Bed Need Projections 1998-2012

Service Area	Actual				Estimated	Projected	
	1998	1999	2000	2001	2003	2007	2012
Population 15+	196,882	200,034	203,237	206,440	212,941	226,443	244,531
Discharges <sup>(1)</sup>	2,211	2,522	2,485	2,570	2,640	2,808	3,032
Disch/1,000	11.2	12.6	12.2	12.4	12.4	12.4	12.4
Patient Days	7,076	8,071	8,202	8,480	8,714	9,266	10,006
Days/1,000	35.9	40.3	40.4	41.1	40.9	40.9	40.9
ALOS	3.2	3.2	3.3	3.3	3.3	3.3	3.3
Required Beds @ 75%	26	29	30	31	32	34	37
Actual Supply	40	40	40	40	35	35	35
Net Need / (Surplus)	(14)	(11)	(10)	(9)	(3)	(1)	2

Sources: OSHPD, Claritas, and The Camden Group

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(1) Includes intensive care, coronary care and intra-hospital transfers

Note: Bed supply for 2003, 2007 and 2012 reflects the actual supply from 2001 less beds from San Luis Obispo General Hospital. 2001 is the most current historical data available from OSHPD by licensed bed category.

### County of San Luis Obispo Obstetric Volume/Bed Need Projections 1998-2012

Service Area	Actual				Estimated	Projected	
	1998	1999	2000	2001	2003	2007	2012
Pop. Women 15-44	49,073	49,595	50,122	50,649	51,486	52,722	54,308
Births	2,213	2,188	2,326	2,321	2,358	2,415	2,487
Births per 1,000 Pop. Women 15-44	45.1	44.1	46.4	45.8	45.8	45.8	45.8
OB Discharges	2,387	2,430	2,716	2,460	2,594	2,656	2,736
OB Discharge/Birth	1.1	1.1	1.2	1.1	1.1	1.1	1.1
Patient Days	5,880	6,072	7,990	6,965	7,263	7,437	7,661
Days/1,000	119.8	122.4	159.4	137.5	141.1	141.1	141.1
ALOS	2.5	2.5	2.9	2.8	2.8	2.8	2.8
Required Beds @ 75%	21	22	29	25	27	27	28
Actual Supply	38	38	38	38	24	24	24
Net Need / (Surplus)	(17)	(16)	(9)	(13)	3	3	4

Sources: OSHPD, Claritas, and The Camden Group

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Note: Bed supply for 2003, 2007 and 2012 reflects the actual supply from 2001 less beds from San Luis Obispo General Hospital. 2001 is the most current historical data available from OSHPD by licensed bed category.

## VI. HOSPITAL BED CAPACITY NEED ANALYSIS

### County of San Luis Obispo Emergency Department Stations Required (Historical and Projected) 1998-2012

Service Area	Actual				Estimated	Projected	
	1998	1999	2000	2001	2003	2007	2012
Population (Total)	238,888	242,753	246,681	250,069	258,140	273,163	293,081
ER Visits							
Critical	7,978	8,729	8,382	17,257	18,108	19,404	21,079
Urgent	47,137	52,452	25,028	47,443	49,782	53,346	57,951
Non-urgent	25,640	26,971	57,311	32,475	34,076	36,515	39,668
Total	<u>80,755</u>	<u>88,152</u>	<u>90,721</u>	<u>97,175</u>	<u>101,965</u>	<u>109,265</u>	<u>118,698</u>
Visits per 1,000	338	363	368	389	395	400	405
Stations	46	46	48	50	41	41	41
Visits per Station	1,756	1,916	1,890	1,944	2,487	2,665	2,895
Estimated Gross Need <sup>(1)</sup>	40	44	45	48	51	55	59
Net Need / (Surplus)	(6)	(2)	(3)	(2)	10	14	18

Source: OSHPD, Claritas, and The Camden Group

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(1) Based on a capacity standard of 2,000 visits per station per year

Note: Conservative estimate based on use rate (visits per 1,000) flat.

- ❑ As indicated in the table below, a closure of French Hospital would create a bed shortage in the County for acute care overall and critical care and would worsen bed shortages that already exist in obstetrics and emergency medicine.

### Potential Closure of French Hospital Impact on Area Bed Need (2003 and 2007)

	Total Beds	Critical Care	Obstetrics	Emergency
Current supply (available)	374	35	24	41
Supply minus French	277	27	16	32
Estimated bed requirement				
2003	348	32	27	51
2007	368	34	27	55
Net need/(surplus) without French beds				
2003	71	5	11	19
2007	91	7	11	23

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## VI. HOSPITAL BED CAPACITY NEED ANALYSIS

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### MAJOR OBSERVATIONS AND CONCLUSIONS

- ❑ Hospital bed need analysis indicates that San Luis Obispo County needs all of its existing available hospital beds in obstetrics, critical care, and emergency medicine.
  - ◆ Projected population growth over the next five years will require an estimated 20 additional total acute care beds by 2007 (at current use rates).
  - ◆ French and Sierra Vista are running above optimal capacity levels for obstetrics. Additional beds are needed.
  - ◆ Significant additional ED capacity is needed in the County
  - ◆ While Tenet is planning to add capacity at both of its area hospitals, new capacity will not come on-line for 2 to 3 years.
  
- ❑ A closure or consolidation of French Hospital would likely result in the following:
  - ◆ Reduction in bed supply below community need (i.e., inadequate supply at other hospitals to meet demand) particularly for obstetrics, critical care, and emergency medicine.
  - ◆ “Flooding” of patients into Sierra Vista Regional Medical Center and Arroyo Grande Hospital beyond their capacity and operational limitations.
  - ◆ Shift of market share to Tenet which already has 46% and substantial market leverage
  - ◆ Reduction in service availability and choice for cardiovascular surgery, obstetrics, critical care and emergency medicine.
  - ◆ Potential reduction in physician supply within the County.
  - ◆ Reduction in the accessibility of hospital services



## **VII. SUMMARY OF KEY FINDINGS/THEMES FROM COMMUNITY INTERVIEWS**

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## VII. SUMMARY OF KEY FINDINGS/THEMES FROM COMMUNITY INTERVIEWS

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- ❑ There is general acknowledgement that Vista's financial performance has been poor and the corresponding inability to reinvest into its hospitals (e.g., equipment, service enhancement, and upgrading physical facilities) has hindered their ability to complete and effectively meet growing community needs for services.
- ❑ Interviewees generally do not oppose a for-profit entity purchasing French Hospital and Arroyo Grande Community Hospital with the exception of the San Luis Obispo Physician's Health Alliance LLC which is trying to buy the hospitals. There were few specific concerns raised regarding UHS as a potential owner. However, there is a concern within the community about having only for-profit hospitals in the County. Specific concerns include provision of services to needy populations and the possibility of facility downsizings or closures in the future with little or no recourse.
- ❑ As was expressed often during the September 15, 2003 public meeting, there is a strong belief among all interviewees that a closure of French Hospital would create a severe negative impact to the County health care delivery system.
- ❑ Senior management at Sierra Vista Regional Medical Center has indicated that the facility is facing capacity constraints in several areas particularly obstetrics and the emergency department with little, if any, ability to absorb additional volume.
- ❑ County health care leaders make a clear distinction regarding the three geographic sub-regions within the County and the tendency to stay within specific sub-areas for health care. Distance and accessibility are concerns regarding any potential curtailment or discontinuation of services which would require physicians or consumers to travel beyond longer distances.
- ❑ County officials have stated that they were given assurances that French Hospital would remain open and viable for the foreseeable future in light of the decision to close San Luis Obispo General Hospital this year. There is a sense of betrayal among some County leaders regarding the possibility of a closure of French Hospital.
- ❑ There is a concern among area health care leaders regarding the shortage of physicians in the County and the future challenges of retaining/augmenting the supply of doctors in the face of a growing, aging population. Many believe that another hospital closure would worsen this situation.



## VIII. ASSESSMENT OF POTENTIAL HEALTH CARE IMPACTS OF PROPOSED TRANSACTION

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## **VIII. ASSESSMENT OF POTENTIAL HEALTH CARE IMPACTS OF PROPOSED TRANSACTION**

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This section will address identified potential health impacts resulting from this transaction and provide recommendations to mitigate potential negative health impacts.

### **A) EFFECT ON EMERGENCY SERVICES, REPRODUCTIVE HEALTH SERVICES AND OTHER HEALTH CARE SERVICES**

#### **Emergency Services**

Hospital emergency room volumes in San Luis Obispo County have been increasing at a rate of approximately 2-3% per year over the past several years. Demand for services is increasing while the supply of emergency department stations (beds) in the County has decreased from 49 to 40 with the closure of San Luis Obispo General Hospital in June of this year. Based on recognized planning standards/benchmarks and interviews with representatives of all four hospitals in the County, there is a shortage of hospital emergency department beds in the County. This situation will worsen as the population continues to grow and utilization rates per capita continue to increase. With a shortage of primary care physicians in the County and an estimated 16.4% of area residents uninsured, a large portion of the population is reliant on hospital emergency departments as the primary source of medical care. While Tenet has plans to expand its EDs at both Sierra Vista and Twin Cities, it will be several years before additional capacity will come on-line. Any reduction in emergency department capacity would have a significant negative impact on the availability and accessibility of emergency medical services within the County.

#### **Obstetrics**

Only three of the four acute care hospitals in the County have obstetric programs (Arroyo Grande Hospital does not). With the recent closure of General Hospital, an additional 30 deliveries per month (on average) have been shifted to French and Sierra Vista, both of which are currently experiencing capacity constraints within their obstetric units. In September of this year, both facilities ran within a 90-95% occupancy range for obstetrics and were full on several days. As a result, each facility was required to divert patients. Based on volume analysis and discussions with senior management at both French and Sierra Vista, both facilities need additional obstetric beds. There are plans to expand the unit at Sierra Vista but additional capacity would not come on-line until 2007 at the earliest. Management at Arroyo Grande Hospital has indicated that the addition of obstetrics could be achieved at a future point (minimum of 9-12 months) but would depend on capital availability, ability to close the current transitional care unit, appropriate physician coverage, and other factors.

As the female childbearing population continues to grow in San Luis Obispo County, bed need for obstetrics will increase. Any reductions in service or bed availability for obstetrics would have a negative impact on the community.

#### **Other Reproductive Health Services**

It is not anticipated that the proposed transaction would have an effect on the availability and accessibility of tubal ligations, abortions, or other non-obstetric related reproductive health services (e.g., in-vitro fertilization) as there is broad availability of the services at other area hospitals and the existing ambulatory surgery centers in the County.

## VIII. ASSESSMENT OF POTENTIAL HEALTH CARE IMPACTS OF PROPOSED TRANSACTION

### Critical Care Services

The bed need analysis suggests that current critical/intensive care bed availability is adequate on average during the course of the year with some capacity constraints during peak periods. The closure of General Hospital, which had a very low census for critical care, has had a negligible impact on critical care, compared to obstetrics and emergency medicine. Even though current bed supply is near equilibrium, it is likely that additional beds will be needed in the coming years based on population growth and aging of the population. Any reduction in critical care services would create a gap in coverage and would likely increase the current backlog/waiting times within area hospitals' emergency departments.

### Pediatric Inpatient Services

French Hospital and Sierra Vista Regional Medical Center both have 6 bed inpatient pediatric units. French has “flexed” the number of beds that are available between 3 and 6 based on seasonal volume fluctuations with a relatively low occupancy rate of 28% this year. Sierra Vista’s pediatric unit has run in the 40-50% occupancy range this year. Pediatrics tends to be a seasonal service with stronger bed demand in winter months and during flu seasons. Utilization data suggests that County volumes for pediatrics correlate to a bed demand of approximately 8 to 10 beds taking into account seasonal census spikes and the fact that complex cases will go to regional Children’s Hospitals. Management at Sierra Vista expressed concern about a potential capacity loss at French and that it would be difficult for only one pediatric program in the County to adequately meet demand particularly during peak periods.

It is very difficult for many community hospitals to financially support and operationally sustain inpatient pediatric units. Many facilities have closed units as children’s specialty hospitals and university teaching hospitals have picked up the slack and developed regional programs.

### B) EFFECT ON THE LEVEL AND TYPE OF CHARITY CARE HISTORICALLY PROVIDED

UHS proposes to “use its efforts to provide charity and indigent care that is equivalent, in the aggregate, to the levels previously provided at the Hospitals”. The dollar amount of charity care historically provided by French and Arroyo over the last five years has been relatively low compared to other acute care hospitals in California. Average figures for the two facilities (based on latest three years and five years respectively) are as follows:

	Charity Care Expenditures	
	3 Year Average	5 Year Average
French Hospital	\$206,501	\$151,041
Arroyo Grande Hospital	\$80,179	\$117,393

## **VIII. ASSESSMENT OF POTENTIAL HEALTH CARE IMPACTS OF PROPOSED TRANSACTION**

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### **C) EFFECT ON THE SERVICES TO MEDI-CAL, COUNTY INDIGENT AND OTHER CLASSES OF PATIENTS**

French Hospital and Arroyo Grande Hospital both currently have contracts with Medi-Cal and San Luis Obispo County for indigent care (“CMSP”) as do Sierra Vista Regional Medical Center and Twin Cities Regional Medical Center. Data analysis suggests that all four facilities have significant volume from these payers but that the two Tenet facilities have substantially higher volumes of Medi-Cal and CMSP than either French or Arroyo.

In its guarantees to maintain the emergency departments at both facilities, UHS would continue to see and treat Medi-Cal and CMSP patients for emergency services including those admitted.

UHS has not indicated if it will maintain a Medi-Cal contract for inpatient services.

### **D) EFFECT ON COMMUNITY BENEFIT PROGRAMS**

Community benefit programs at both French and Arroyo are negligible. Vista did not report any programs with expenditures over \$5,000 annually. UHS has not specifically quantified a minimum amount that it will spend on community benefit activities.

### **E) EFFECT ON STAFFING AND EMPLOYEE RIGHTS**

UHS has agreed to offer employment to all “active” employees on the closing date at their then current salaries or wages.

It is anticipated that medical staff bylaws will remain intact and that active staff physicians will continue practicing at both Hospitals.



## **IX. PROPOSED MITIGATION MEASURES AND ALTERNATIVES**

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### **A) RECOMMENDATIONS FOR ADDITIONAL FEASIBLE MITIGATION MEASURES**

- As set forth in section 13.16 of the Asset Purchase Agreement, UHS should operate French Hospital Medical Center (French Hospital) and Arroyo Grande Community Hospital (Arroyo Grande Hospital) as general acute care hospitals as long it owns the hospitals.
- For at least five years from the transaction closing date, UHS should not close or reduce existing levels of basic emergency medical services at Arroyo Grande Hospital. These services should continue to be maintained without regard to potential future changes in reimbursement levels.
- For five years from the transaction closing date, UHS should not close nor reduce existing levels of basic emergency medical or obstetrical services, nor materially reduce the capacity and operations at French Hospital. These services should continue to be maintained without regard to potential future changes in reimbursement levels.
- UHS should provide at Arroyo Grande Hospital and French Hospital Medical Center at least \$300,000 in charity and indigent care costs (not charges) for each year in the aggregate at the two hospitals from the transaction closing date (Annual Period). The definition and methodology for calculating “charity care” and the method for calculating cost should be the same as that used by the Office of Statewide Health Planning and Development.
- If the minimum charity care cost level is not met during an Annual Period, UHS should pay the difference between actual charity care costs and the minimum required charity costs to any non-profit public benefit corporation for health care purposes in San Luis Obispo County.

**Appendix A**  
**INDIVIDUALS INTERVIEWED**

## Appendix A INDIVIDUALS INTERVIEWED

- Kacho Achadjian, Supervisor Fourth District, County of San Luis Obispo
- Wayne Allen, Chief Financial Officer, French Hospital Medical Center and Arroyo Grande Community Hospital
- Shirley Bianchi, Supervisor Second District, County of San Luis Obispo
- Lionel Chadwick, San Luis Obispo Physician's Health Alliance LLC
- Chuck Cova, President, Marian Medical Center
- Dr. Dan Culhare, ER Medical Director, French Hospital Medical Center
- Dr. Luke Faber, Chairman, Medical Executive Committee, French Hospital Medical Center
- Dr. James Hawthorne, Chief of Staff, Arroyo Grande Community Hospital
- Dr. David Javtiz, Member, Medical Executive Committee, French Hospital Medical Center
- Ed Kirkpatrick, Chief Nursing Officer, French Hospital Medical Center
- Tom Lynch, Executive Director, County of San Luis Obispo Emergency Medical Services Agency
- Rick Lyons, Chief Executive Officer, Twin Cities Community Hospital
- Kay Mickelson, Executive Director, San Luis Obispo County Medical Society
- Lisa Moylan, Chief Nursing Officer, Arroyo Grande Community Hospital
- John Nilsson, Chief Financial Officer, Cambio Health Solutions, LLC (Management Company of Vista)
- Kathleen O'Neal, County of San Luis Obispo Public Health Department
- Harry Ovitt, Supervisor First District, County of San Luis Obispo
- Gary Stokes, Chief Executive Officer, Sierra Vista Regional Medical Center
- Dr. Greg Thomas, Public Health Officer and Director of Public Health, County of San Luis Obispo
- Dr. Ping Tsao, Chairman of the Board, French Hospital Medical Center
- Gail Wilcox, Assistant County Administrator, County of San Luis Obispo
- John Wilson, Former Chief Executive Officer, San Luis Obispo General Hospital
- Richard Wright, Vice President, UHS